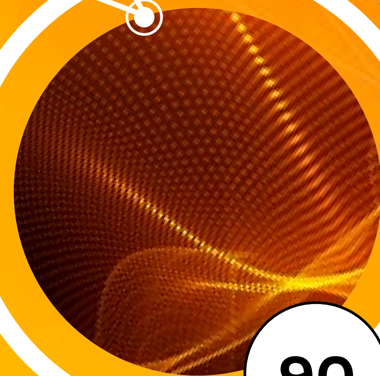
ZAIM CREDIT SYSTEMS

LEADING FINTECH COMPANY

ANNUAL REPORT 2020

CONTENT



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COMPANY OVERVIEW

Company in Brief

Our Vision

The combined effect of tighter of financial regulations and growing technology-driven complexity has forced an increasing number of people into a sector where it is very hard to access financial services, the "no service zone." "Unbanked" or "unbankable" individuals are neglected by the mainstream banking system and have no access to any financial service or support.

We see an opportunity to make a transparent, solid, healthy and profitable business by creating conditions for these people to improve their status and progressively mingle with the world of financial services.

OUR MISSION

We are focused on developing our business which generates solutions to the problems experienced by "unbankable" individuals. We provide access to financial services and an Internet-based world ("online") to people who are not eligible for mainstream financial services.

Our Guiding Principles

- Any and all services we provide, now and in the future, are conceived with the highest standards of transparency, efficiency and compliance, with the utmost respect for our customers.
- Any and all clients, now and in the future, are supported and helped to improve their financial status and access to the online world.
- Our employees are our most valuable resource and we focus on creating a comfortable working environment.
- A solid, transparent and profitable business is the result and consequence of the full and complete implementation of the above.

Zaim has been operating in the microcredit market in Russia since 2011. Today, Zaim occupies one of the leading positions in the Russian microcredit market rapidly developing its online platform.

Zaim currently provides loans with an average size of 8,000 Russian rubles (RUB) (about £80) with a maximum amount of RUB30,000 (£300) for an average period of less than one month.

As at 31 December 2020, Zaim directly operated 31 stores. These stores are generally nearby to densely populated residential communities in urban areas, as well as in locations near the transport infrastructure of Moscow and the Moscow Region.

Since establishment, Zaim has developed a bespoke fully integrated business platform and operating tools to increase efficiency, driven by automation and a constantly improving credit scoring system.

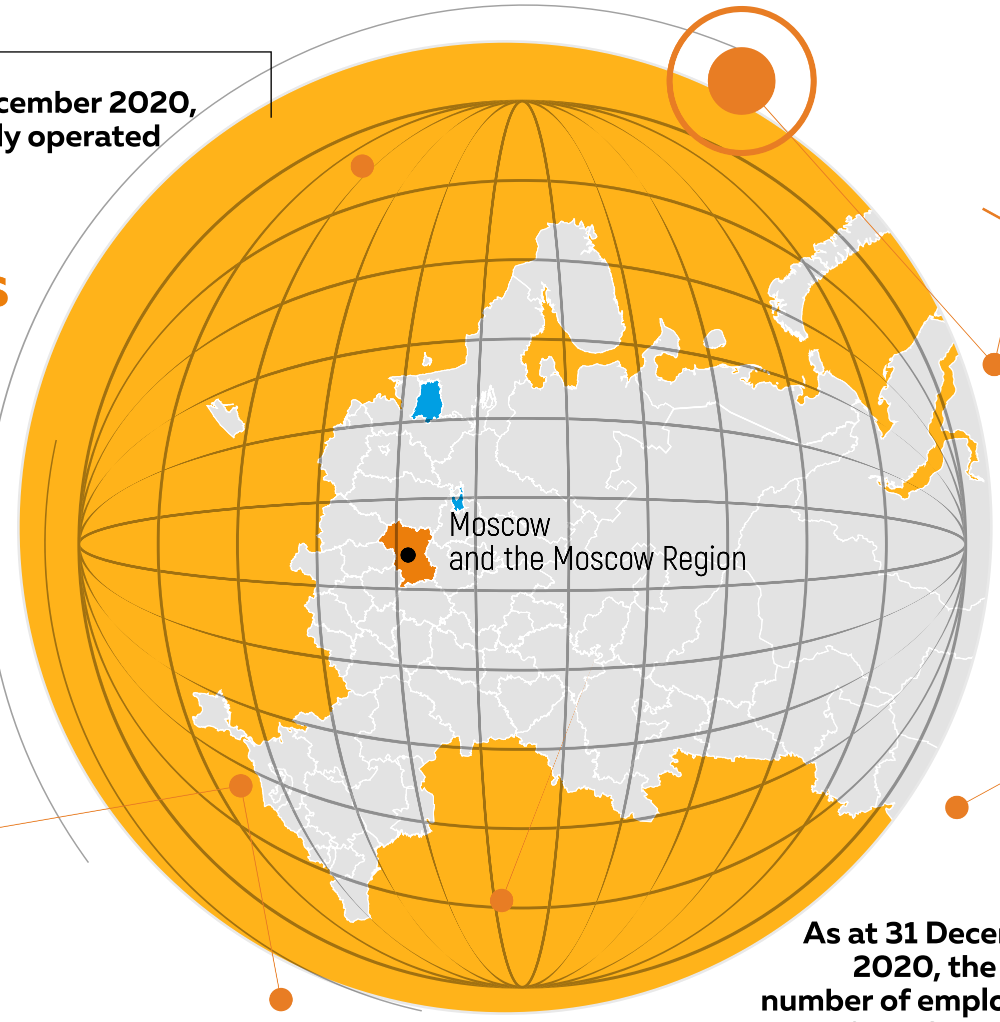
The Zaim's platform allows for remote transfer of money to the client's own card (can be newly issued by Zaim) or other receiving facilities (bank accounts or any other system allowed in the market by Russian authorities) within minutes of the online application.

Company in Brief

Zaim Credit Systems Plc (ZCS) is the UK holding company of Zaim Express LLC ("Zaim"), a Russian-based fintech company providing small-sized short-term loans to customers.

As at 31 December 2020, Zaim directly operated

31 stores



As at 31 December 2020, the total number of employees of the Group was

199

Among other products, Zaim has created a pre-paid Mastercard product branded with the Zaim's logo, to which Zaim can credit loan amounts directly to customers who can then spend them online or via POS terminals. It is also possible for customers to withdraw funds at ATMs. This card was conceived and implemented to be the most convenient and cheapest instrument on the market, and it is aimed at removing the entrance barrier to the online world.

In 2020, Zaim's directors and management developed and implemented an online-focused business strategy, dramatically increasing volumes of loans issued online and reducing the number of physical stores. Online operation now represents the largest portion of the Group's business and is continuing to grow.

The total loans outstanding had a carrying value of £1.3 million as at the end of the year (£786k as at 31 December 2019).

As at 31 December 2020, the total number of employees of the Group was 199 (317 as at 31 December 2019).

Zaim's History

2011

Zaim was established on 14 March 2011, as a limited liability company under the laws of the Russian Federation.

On 29 August 2011, Zaim was authorised to conduct microfinance activities in the Russian Federation and included in the State Registry of Microfinance Organisations maintained initially by the Russian Ministry of Finance and later by the Central Bank of Russia ("CBR").

2016

In 2016, Zaim obtained its current status as a microcredit company ("MCC") which allows it to engage in microfinance activity in the territory of the Russian Federation.

2017

On 20 February 2017, Zaim's shareholders approved the change of the Company's name from LLC MO Zaim-Express to LLC Zaim-Express.

2019

On 4 November 2019, ZCS, Zaim's holding company, made a successful initial public offering (IPO) of its ordinary shares on the London Stock Exchange raising gross cash proceeds of £2.6m.

Zaim Today

Company's Strengts

Successful IPO
on the London Stock Exchange

Scalable
online business model

Cash generation potential

Best corporate
governance practices

10 years
providing services

State-of-art IT platform
allowing for credit risk management

Strong
management team

Zaim in Numbers

Over **1.22** million loans provided

441,018 active customers

77% of loans are to recurring customers[2]

£1.3 million loan book[1] as at 31 December 2020

27 directly managed outlets

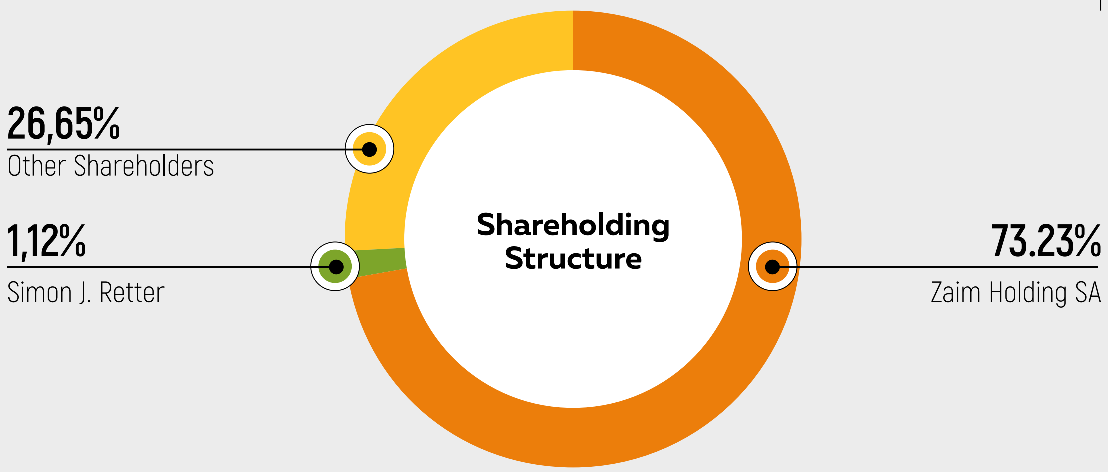
Providing loans in the amount of over **926** million rubles a year (approximately £9.3M)

[1] Loans to customers after expected credit loss allowance.
[2] Average for 2020.

Share Capital

The total number of ordinary shares in issue

436,975,000



Chairman's Statement

Dear Shareholders,

It is hard to imagine our life now without digital or online services. Over the past several years, most of us have transferred traditional "real-life" activities online. Activities such as shopping, education, communication, entertainment, ordering delivery from a restaurant or meeting any other essential needs can now be undertaken exclusively online.

Quarantine measures undertaken by the governments of most countries during 2020 as a reaction to the COVID-19 pandemic accelerated this shift in many cases and generated substantial additional demand for online services. Despite this, many of these services are difficult or even impossible to access without an online banking presence or a bank card. At the same time as services and activities that can be undertaken online are rapidly expanding, many people are excluded from this "online world." This phenomenon is quite noticeable in Russia, where in 2020, 65% of the population did not have a bank deposit account and 85% did not have a credit card[1].

Traditional banks are reluctant to approve credit to a large percentage of Russian borrowers with poor or no credit history as well as those from less well-off sections of society. This creates a significant segment of the population that is excluded from the online world and the online standard of living.

Zaim has always built its business on ethical principles. Our mission is to provide access to financial services in the age of the Internet to those people who are not eligible for mainstream financial services. With this mission in mind, several years ago, Zaim created the Zaim MasterCard, an inclusivity tool that can be easily issued and delivered to those who lack the "key" to the modern online world.

With our motto "fast and flawless," we help people efficiently resolve their temporary financial difficulties without the need for collateral or guarantors, with funds usually delivered within a few minutes. In order to provide our customers with a quick and easy way to borrow money on transparent terms, we set a very high standard in customer service and we give full training to every one of our employees. We strive to provide financial support to a whole sector of the Russian population that has been ignored by conventional banks. Our best-in-class technology offering enables Zaim to do this and maximise shareholder returns at the same time.

This market still has a great potential. Penetration of the microfinance industry in the Russian market is less than 2% of the adult population, while in some mature markets, it ranges between 5% and 10%. Russian household debt in September 2020 was only 21% of the Russian GDP compared to 89% in the UK and 78% in the USA[2]. Over the past several years, the microfinance market has grown by about 25% per annum, with the majority of this growth driven by the online segment. In addition, online lending in Russia has been doubling year after year. During 2020, which was hopefully an exceptional year for uncertainty and general economic turmoil, the total balance of Russian microfinance loans grew by 18% to 249 billion rubles (ca. £2.5 billion)[3].

We used the COVID-19 restrictions and change in habits of individuals as an opportunity to significantly accelerate the online transformation of our business. At the beginning of the year, we had a dominant share of the market in the Moscow region where our existing outlet network was based, even having only a very small-scale online business at the time. By the end of the year, we found ourselves in the enviable position of being able to provide the majority of our loans via remote channels and we are now able to include the whole of the Russian population as our market.

During the past few years, Zaim has been developing and executing a strategy of profitable growth whilst dealing with some significant headwinds. Zaim has successfully addressed the tightening of regulatory requirements experienced between 2016–2019, including a reduction in the maximum interest charges. In 2020, while our team focused on the implementation of our post-IPO strategy, COVID-19 emerged as a truly unforeseeable event but, once again, the team swiftly amended the strategy and ensured our prompt return to profitability and a leaner, more efficient and optimized business.

I would like to thank the management, employees, consultants and my fellow board members for their commitment and hard work in delivering these tremendous results and navigating the Group to a rapidly growing and profitable business in the second half of 2020.

We remain committed to strengthening our position as a leading Russian fintech Group and will strive to keep delivering a fast and flawless solution to our customers.

MALCOLM GROAT
Chairman
29 April 2021

[1] Source: The Central Bank of the Russian Federation: Survey on the Status of Financial Inclusion in the Russian Federation in 2018, p. 31.
[2] According to the Bank for International Settlements
[3] According to the Central Bank of the Russian Federation

Chief Executive's Review

Dear fellow Stakeholders,

2020 became the year of great challenges not only for our company, but for the whole of humanity. I am extremely proud of our team that has successfully addressed these global challenges and turned a potential heavy threat to the business into an opportunity to increase growth and undertake an incredibly fast move to an online model. Our management has successfully navigated the difficulties connected with COVID-19 and its consequences as well as the tightening regulations in the microfinance field in Russia and has built a solid and reliable growth platform, generating significant profits in the second half of the year.

In the middle of 2019, the Russian financial regulator – the Central Bank of the Russian Federation – tightened restrictions for all operators in the microfinance market by reducing the maximum interest rate by 33%, in accordance to sector re-organization plan announced in 2016. The new rate is in line with international markets level. This lower interest rate affected us most significantly during 2020, the first full year of its impact, but despite this, the Group reported an increase in interest income of 23% during the year. This was driven by an increase in the amount of loans issued during the year to £10.4m (2019, £9.0m). During the year, it was observed that on average, customers held our loans for slightly longer (67 days; 2019, 52 days), predominantly due to the lower interest rates, resulting in an increased working capital requirement.

In 2020, we observed a significant threat to our business, as did a lot of other traditional businesses across the globe with the emergence of the COVID-19 pandemic and associated restrictions imposed by governments. I am immensely proud of our team at all levels of the organisation who handled the situation in a calm, professional and conscientious manner and I would like to thank everybody for their great teamwork that has turned this significant risk into a successful opportunity to build our growing, profitable business.

Over the past 10 years, Zaim has developed a bespoke IT system that allows it to receive and repay loans remotely with an automated scoring process taking less than 10 minutes to approve or reject new applicants. 2020 saw the prioritization of the development of our online business and subsequent rapid expansion of lending volumes. At the same time, the physical outlet business was streamlined by reducing the number of outlets to 31 from 91 at the end of December 2020 and then to 27 as at 31 March 2021. As a result, the share of loans issued online dramatically increased from 9% in December 2019 to 82% in December 2020.

These swift and decisive actions resulted in an immediate improvement to the profitability of the Group with profits achieved on a quarterly basis in both Q3 and Q4 2020. While in the first half of 2020 the Group generated an adjusted EBIT loss of £0.9m, in the second half, it generated an adjusted EBIT profit of £0.8m, which is an impressive turnaround in performance.

This trend of strong growth in business volumes has continued during Q1 2021, with key performance indicators indicating healthy growth, and I look forward to providing more news in the Q1 trading update.

I am glad to note that the switch to an online-focused business model continues to outperform management's expectations and now that the platform has been successfully deployed and fine-tuned, our attention is turning to other business development opportunities and to further enhancements to our existing offerings. As part of this, the team is focusing on further improving the level of services, implementing new tools and, on top of this, we are glad to announce that we are releasing a mobile app. This gives gives us an opportunity to stay connected to our clients 24/7 and increase the potential for our repeat business.

We are now ready to expand our portfolio of services and raise the fintech profile of the Group. Along with this, we are currently exploring opportunities with colleges and universities to create a mechanism for broadening access to financial services for people who are neglected by conventional providers. Once again, we confirm that the key words for our business are inclusivity and profitability.

I would like to thank the Directors and the management for navigating the successful return of the Group to net profitability. We are currently uniquely positioned to address market challenges and turn them into market opportunities with our consistent commitment to adding value and generating profitability for all of our stakeholders.

SIRO DONATO CICCONI
CEO
29 April 2021

2 STRATEGIC REPORT






Market Overview

The Market for Microfinance in Russia

Microfinance involves providing individuals who do not have access to the banking system with small credits or loans to help them cover their expenses. These Microfinance activities in Russia started in the 1990s in the post-Soviet era and until 2010, the provision of consumer loans was largely unregulated.

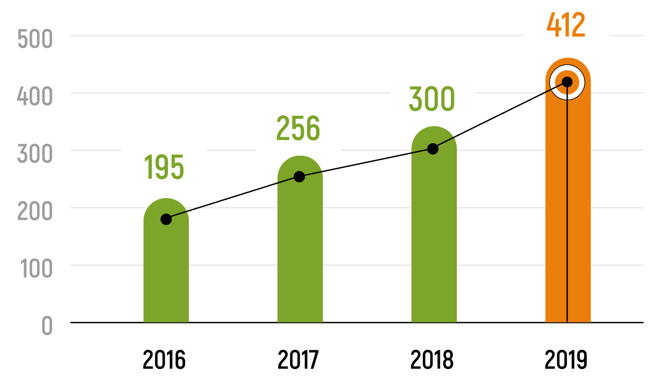
The Microfinance Business Law adopted in 2010 created a new special category of financial organisations–microcredit companies (MCCs or MFOs). Microcredit companies were permitted to provide loans subject to strict regulations on a regular basis. Although some banks structured their consumer lending arms as MCCs, due in part to the financial crisis in Russia in 2014 and 2015, **the banking sector largely neglected small businesses and the less well-off sections of society.**

Following the introduction of the Microfinance Business Law and the disengagement of the core banking sector from the microfinance sector, the microfinance market grew rapidly from 21 million Russian rubles (approximately £426,000[1]) of loans provided in 2012 to 412 billion Russian rubles (approximately £5 billion[2]) of loans provided in 2019[3].

Historically, the Russian microfinance market has been growing by approx. 25% per annum with the online segment growing close to 100% year-on-year.

Rapid market growth is clear evidence of a strong need for financial services among lower-income segments of the population combined with the technological capability to provide said services in a simple way with convenient conditions.

Russian microfinance market (loans issued), RUB bn



Source: Expert RA

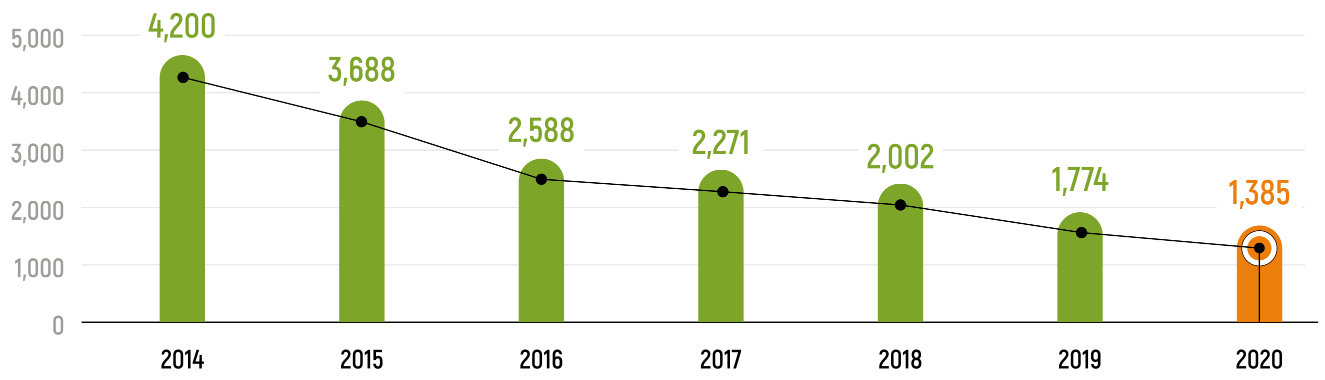
Tightening Microfinance Market Regulations Reducing Competition

Since 2014, the Central Bank of the Russian Federation (CBR) has been implementing reforms to the microfinance sector to ensure consumer protection, increase levels of transparency and quality of services in the sector. This has led to the introduction of KYC procedures, AML and other compliances in line with the best world practices, minimum capital requirements, economic ratios for microfinance institutions, requirements in relation to accounting and risk management procedures, maximum interest rates and charges, limitation on the total amount of liability in consumer loan products, etc. **As a result of this, smaller players withdrew from the market.**

According to the CBR statistics, the number of MFOs decreased from 4200 as at 31 December 2014 to 1385 as at 31 December 2020, representing a reduction of approximately 67%. Additional restrictions on consumer loans came into effect on 1 July 2019, reducing the daily interest rate to 1% and limiting the maximum recovery amount representing the sum of interest, penalties and other charges and commissions to 200% of the principal amount of the loan ("Maximum Recovery Rate"). The Maximum Recovery Rate was further reduced to 150% of the principal amount of the loan from 1 January 2020, resulting in a further reduction in the number of MCCs and MFOs operating in the sector.

[1] At the average exchange rate for 2012
[2] At the average exchange rate for 2019
[3] Expert RA: Results of 2019 and forecast for 2020 for the MFO market: transformation period

Number of microcredit licenses in issue



Source: Central Bank of Russian Federation

Reduced Offer of Financial Services from the Banking Sector

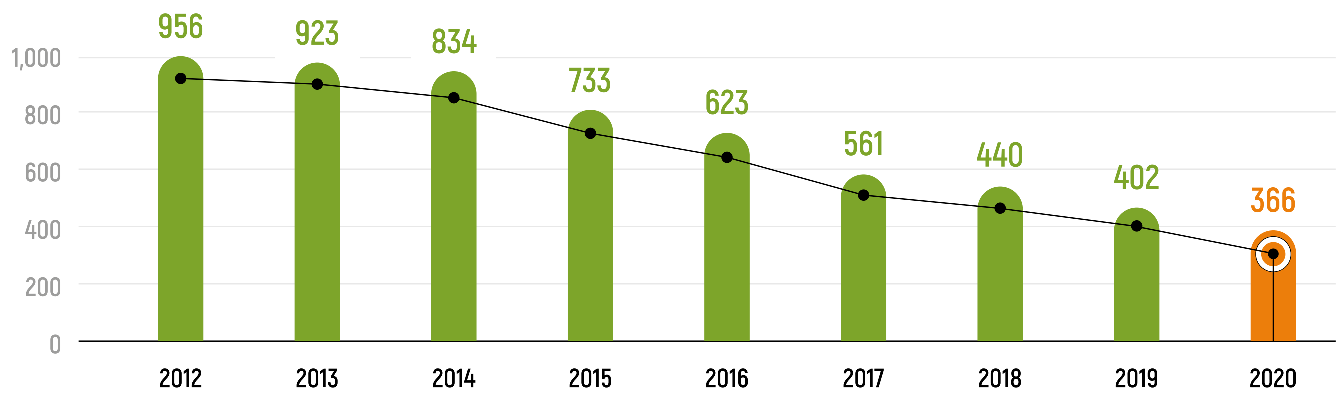
As at 1 January 2020, there were 402 banks operating in Russia, whereas on 1 January 2013, Russia had a total of 956 banks in operation. Over the past seven years, the Central Bank of the Russian Federation revoked over 550 banking licenses.

As of 2018, the government's stake in the Russian banking sector had increased by two thirds as a result of the country's largest banks undergoing financial rehabilitation. Reduction in the number of bank licenses and teller desks widened the "unbankable" segment of the population.

Many low-income households therefore do not have access to credit from traditional commercial credit institutions since they do not have enough collateral.

This, combined with weak social security protections in Russia hastened by the onset of the financial crisis and the growth of the Russian free-market economy, has driven those on low or unstable incomes to seek alternative sources of finance. This trend is expected to be amplified further by the economic turmoil caused by the coronavirus pandemic.

Number of bank licenses in issue



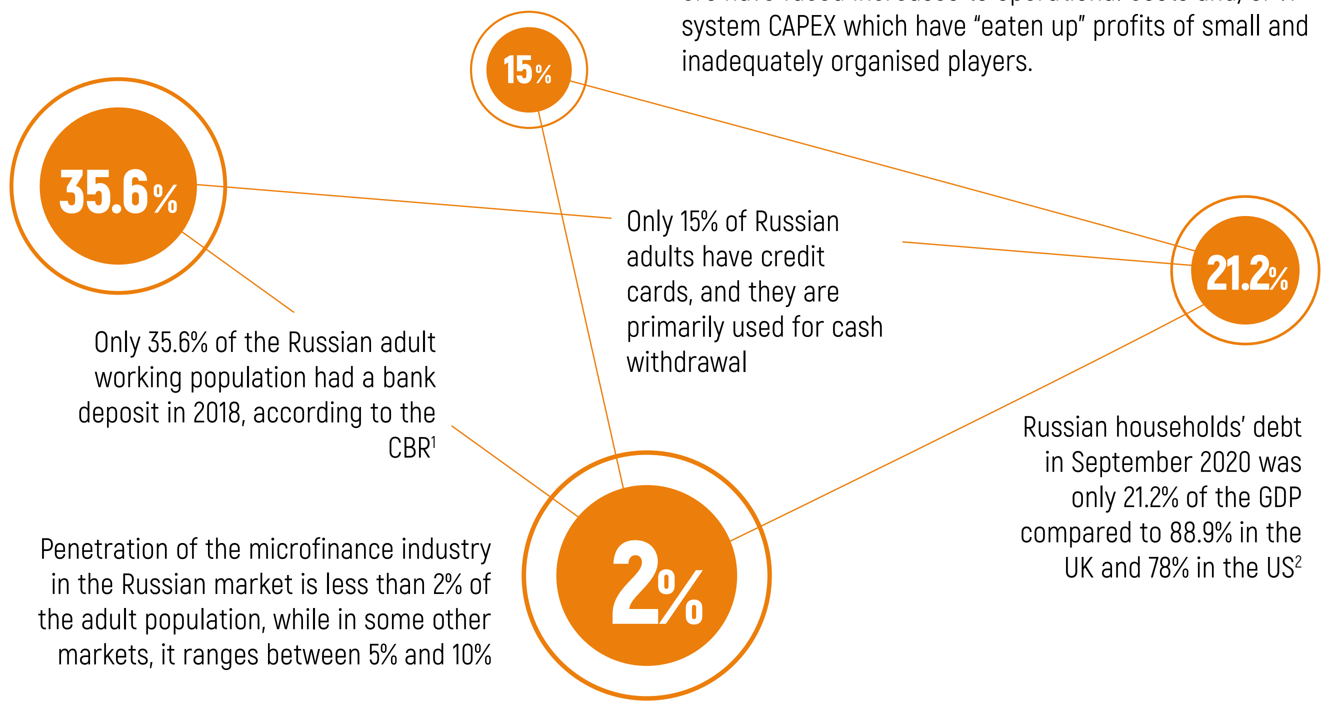
Source: Central Bank of the Russian Federation

Russian Microfinance Market Potential

As a result of the abovementioned factors, Russia has a far shallower financial services penetration, especially online, than virtually all other European countries and many developed countries.

These factors show that the Russian microfinance market is still at its initial stage and is expected to grow, potentially to multiples of its current size.

At the same time, we see a significant reduction in competition in the microfinance market. The CBR actions on the microfinance market have caused a dramatic increase in complexity which has resulted in the reduction of the number of players in the sector. Given the specific features of the industry (small transaction size and very short terms which result in the need to process thousands of microtransactions every day), all the players have faced increases to operational costs and/or IT system CAPEX which have "eaten up" profits of small and inadequately organised players.



Microfinance Market Dynamics in 2020

In 2020, the microfinance sector was under the influence of restrictive measures introduced as a result of the pandemic, which in turn lead to fluctuations in economic activity.

After the temporary closure of offices of microfinance organisations in Q2 2020 and the reduction in the loan portfolio, the volume of disbursements increased as restrictive measures were lifted and economic activity recovered. This was especially evident at the end of the year, when both the volume of issuances and the portfolio of microloans increased significantly. At the same time, the growth rate of the portfolio was lower than in previous years, and the volume of loans did not change compared to 2019, although the structure of the portfolio did change. The increase in the share of instalment loans in the total portfolio of microloans was accompanied by an increase in the average loan size, and in payday loans (PDL). There was also an increase in the share of online loan issuances. In 2020, issuances in the small and medium-sized enterprise segment increased significantly, which contributed to the support of small and medium-sized businesses during the pandemic.

[1] The Central Bank of the Russian Federation: Survey on the Status of Financial Inclusion in the Russian Federation in 2018, p. 31.
[2] According to the Bank for International Settlements

Despite the closure of offices of most microfinance organisations in April–May 2020 and the tightening of restrictive measures due to the pandemic at the end of the year, the MFO loan portfolio grew by 18% at the end of the year, to 249 billion rubles. The growth of the portfolio was facilitated both by high activity in the MFO segment of entrepreneurial financing and growth in the share of long-term instalment loans to individuals. The share of loans in the MFO segment of entrepreneurial finance comprised almost a quarter of the total portfolio.

The recovery of consumer activity after most of the restrictive measures introduced in the spring of the last year were lifted contributed to a renewed demand for loans issued by MFOs, as well as to an increase in the average loan size. At the same time, MFOs gradually adapted their business models to the previously introduced regulatory restrictions: amid the sharply increased uncertainty during the pandemic, scoring models were revised towards a more careful selection of borrowers, and the share of long-term loans increased.

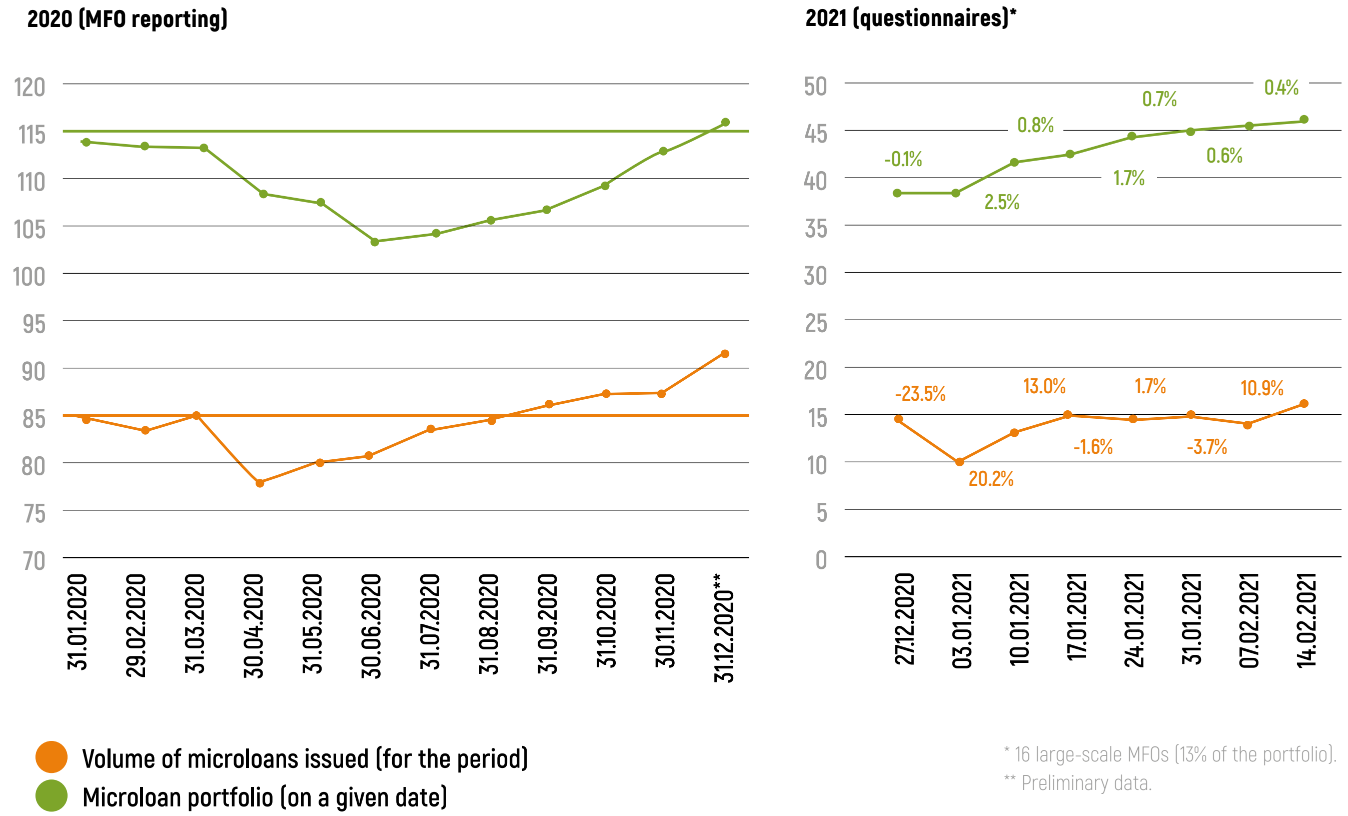
The COVID-19 pandemic, epidemiological restrictions and changes in risk policies of companies significantly influenced the microfinance market. Among the main trends are the following:

> The amount of loans provided was almost halved in the beginning of Q2 2020 and only recovered by September 2020.

> Following the decline in the volume of microloans provided, the overall loan portfolio shrank (for the first time over the entire observation period). Growth resumed in July, and lending levels for the whole industry rebounded back to the levels seen at the beginning of 2020 by November 2020.

The dynamics of the main segments of the microfinance market in 2020 were multidirectional: the amount of loans issued in the payday loans segment in Q4 2020 remained at the 2019 level; in the instalment segment, it exceeded the levels seen in 2019 by 21%; in the small and medium-sized enterprise (SME) segment, the volume of loans increased on a quarterly basis .

Dynamics of the portfolio and volume of microloans issued (billion rubles)



* 16 large-scale MFOs (13% of the portfolio).
** Preliminary data.

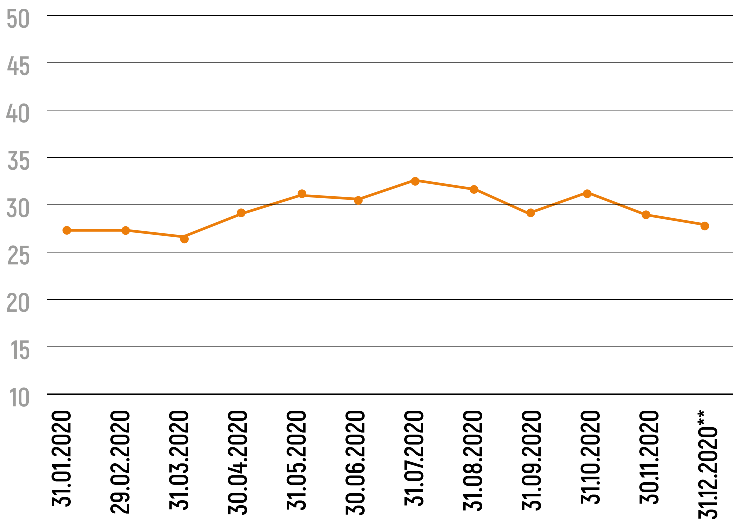
Portfolio Quality

The level of non-performing loans for over 90 days (NPL 90+) started to decline in the middle of 2020. Recovery of business activity in the economy and tightening risk practices of MFOs led to the improvement in the payment discipline of borrowers.

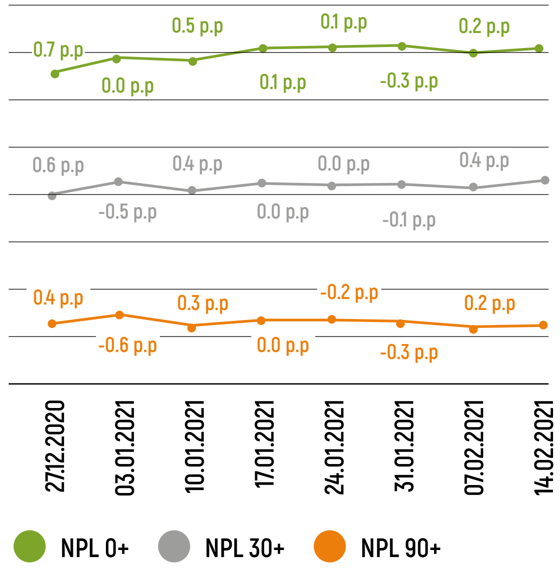
A decrease in debts overdue was also influenced by the increase in loans provided: with insignificant fluctuations in the absolute value of NPL 90+, the share of debt in the growing portfolio decreased.

Dynamics of debts overdue

2020 (MFO reporting)



2021 (questionnaires)*



* 16 large-scale MFOs (13% of the portfolio).
** Preliminary data.

Changes in the Financing Structure

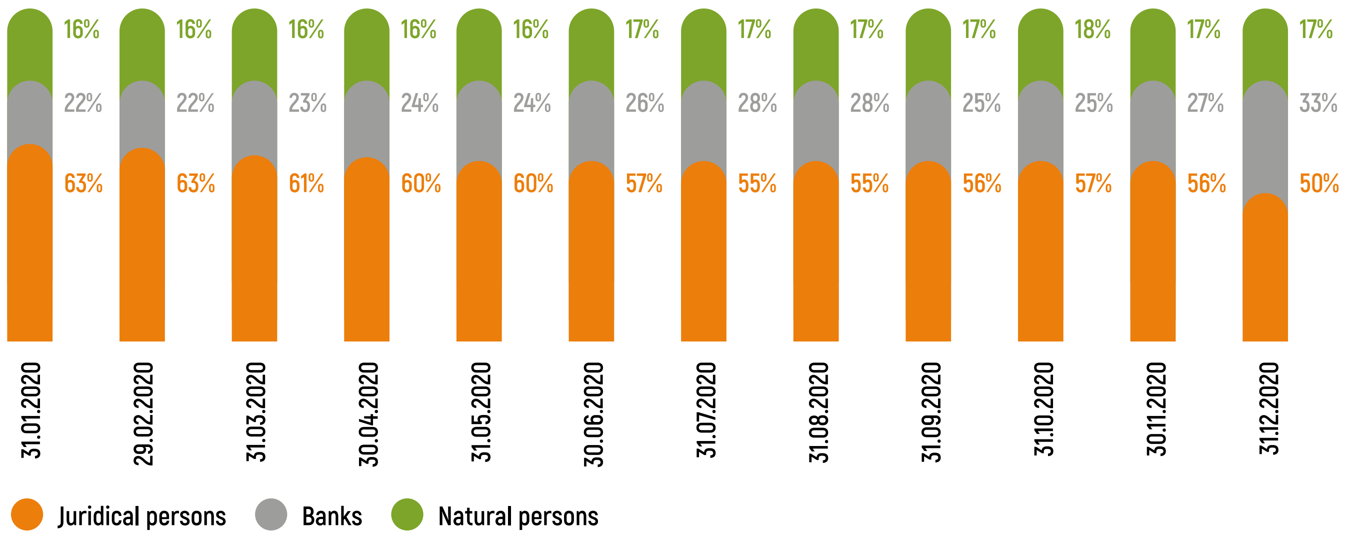
By the end of 2020, the portfolio of raised funds that decreased during the period of COVID-19 restrictions almost reached the levels as at the beginning of the year.

At the same time, the structure of funding is gradually changing as the share of bank financing increased:

> the share of bank financing in the portfolio reached 33% in December 2020, the portfolio of funds raised from banks grew by 48%;

> the share of funding from individuals remained stable throughout the year (16–18%).

Dynamics of the structure of funds raised by MFOs



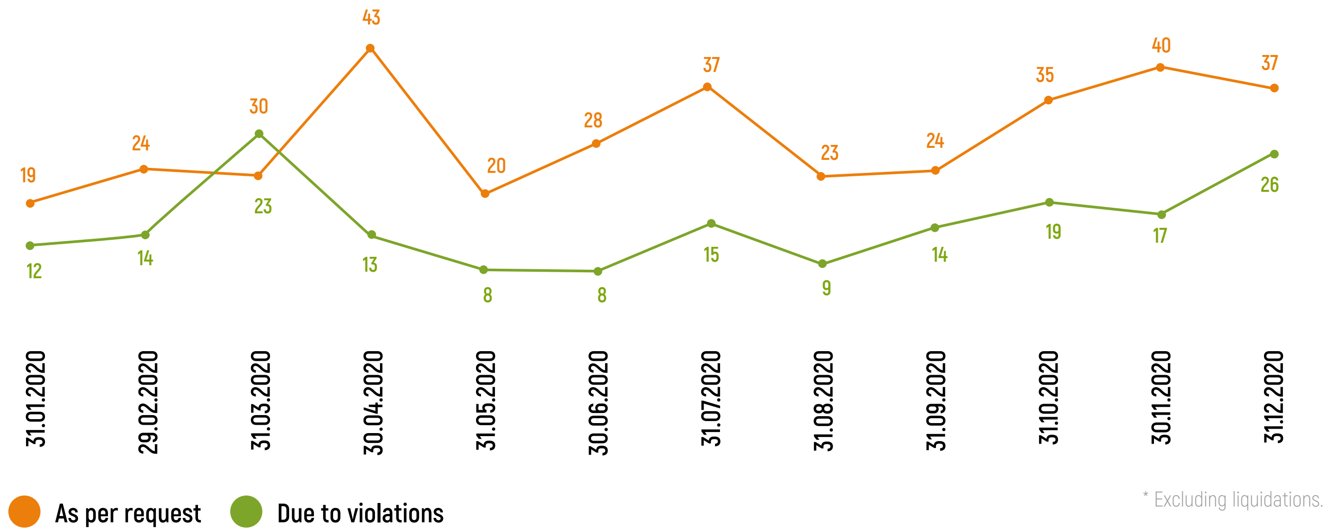
Decrease in the number of MFOs

On 1 January 2021, there were 1385 MFOs in the state MFO register. In 2020, twice as many companies were deregistered as per their requests rather than for violations of the law.

At the same time, 164 companies were included in the register: in the first half of 2020, information about 135 new MFOs was added to the register (including one microfinance company), while in the second half of the year, only 29 MCCs were able to enter the market (a decrease of 79%).

A barrier to the registration of "empty" and unscrupulous companies was set by the implementation 1 July 2020 of new legal requirements for microcredit companies to have own equity (capital) requirements in the amount of not less than 1 million rubles.

Dynamics of MFO deregistration (units)*



* Excluding liquidations.

Future Trends in Microfinance in Russia

According to the Russian statistical agency Rosstat, in 2020, 13.5% of the Russian population lived below the poverty line; this number increased compared to 2019 by 1.2 percentage points. This has created a significant segment of the Russian population that could potentially benefit from microlending services. The current source of finance for Russians on low incomes is often informal, very often illegal and expensive. Microfinance represents a transparent, compliant, reliable, cheaper and safer option. There is a particular need in the Russian regions further from Moscow as well as in rural areas where the poorest individuals are concentrated and where bank coverage is by at least. Therefore, there is a potential for the microfinance market to grow by at least 20% per year[1].

1 Expert RA: Results of 2019 and forecast for 2020 for the MFO market: transformation period

Operational Overview

Zaim's Business

Zaim's core service is providing microloans to Russian consumers. Zaim predominantly provides its loans online to the customer's own bank account, but also provides them in cash and to Zaim-Express branded bank cards. Loans are provided up to a maximum amount of RUB30,000 (equivalent to £300) or, in the case of online loans, RUB15,000 (equivalent to £150), with a maximum term of 30 days. The standard interest rate on these loans is 1% per day with a maximum recovery rate capped by regulators at 150% of the principal advanced. The maximum interest rate and the maximum recovery rate are set by the market regulator—the Central Bank of Russia—for all the participants of the microfinance market.

Simple Business Model

1 Single Product

	MAXIMUM ALLOWED	AVERAGE
Loan amount	**30,000** RUB (300 £)	**7,500** RUB (75 £)
Loan duration	**30** days	**20-25** days
Daily rate	**1%**	**1%**

Through 2 Distribution Channels

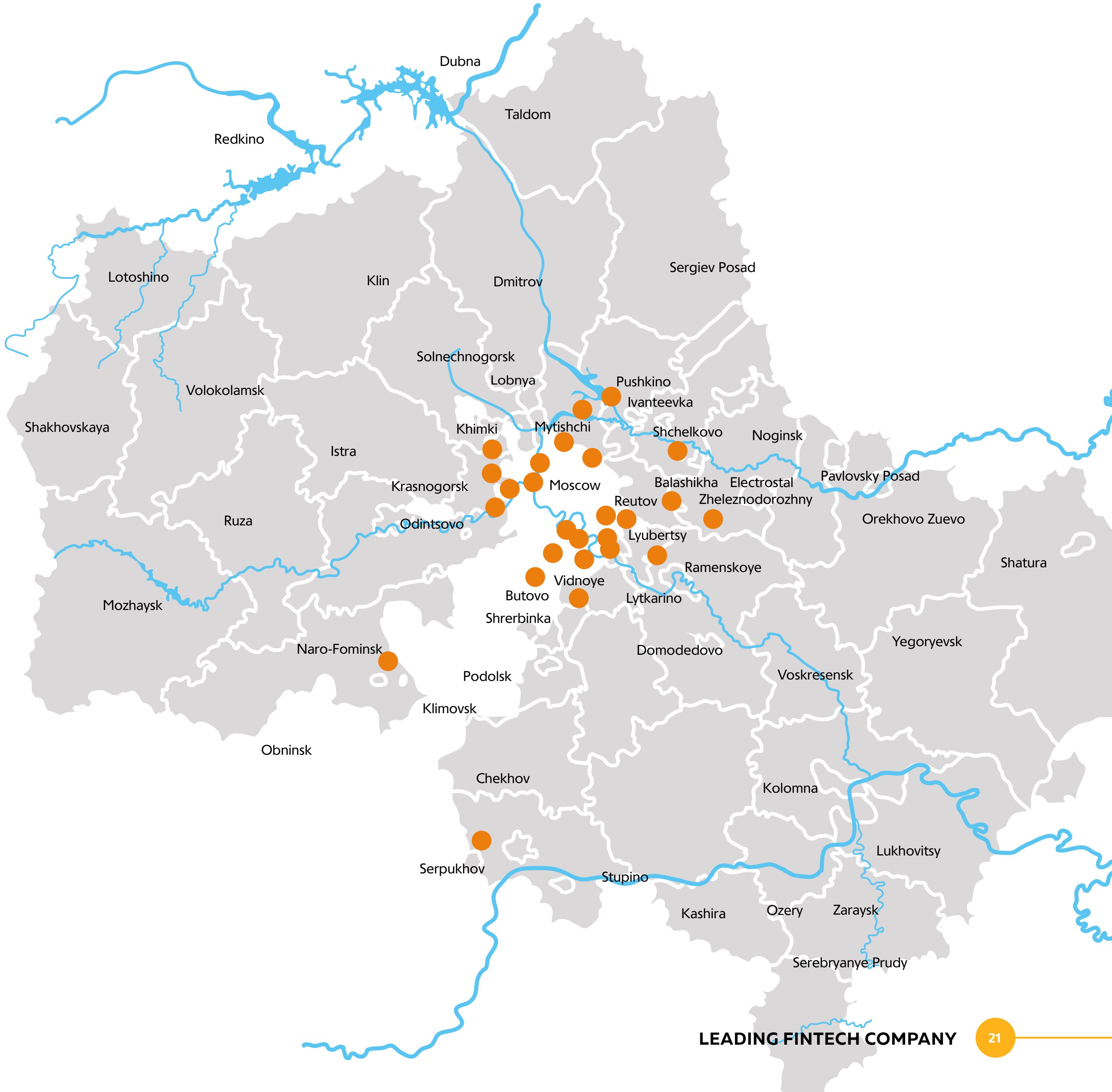
	ENTIRE COUNTRY	MOSCOW AND THE MOSCOW REGION
Directly opeated stores		**27** stores
Online	Operated in the entire country	

In 2020 Zaim changed its strategic focus towards an online-centered business model. The Company put significant effort into development of its online activities which now represent the most significant part of the business and is experiencing rapid growth. As a direct result of this it closed its less efficient outlets reducing the number from 92 on 1 January 2020 to 31 as at 31 December 2020 and then to 27 as at 31 March 2021. The share of loans issued online increased from 9% in December 2019 to 82% in December 2020.

The Zaim Express MasterCard functions in much the same way as a debit card issued by a traditional bank, except that the consumer is limited to using the funds loaded onto the bank card and Zaim does not provide any overdraft facilities. Zaim's loans have historically been distributed by the Group's existing outlets which predominantly targeted relatively small, densely populated residential communities; all such outlets being within walking distance of transport infrastructure and approximately 10 to 30 sq. m in size.

The clients of these outlets typically live very close. On average, Zaim's customers take out loans two to three times per calendar year, and approximately 77% of Zaim's customers in 2020 were repeat customers. Although this provides a stable base, the growth of outlets is limited by their geographical reach which is typically less than two miles from the consumer's residence.

Geographic Footprint



Company Infrastructure

A key component of the Zaim's business offering is its bespoke IT platform that manages and executes client acquisition, scoring assessment and financing authorisation in less than 5 minutes. All back office functions are fully automated and managed by this integrated IT system, which includes the following:

> automatically generated important customer communications, including notifying customers of the key repayment date;

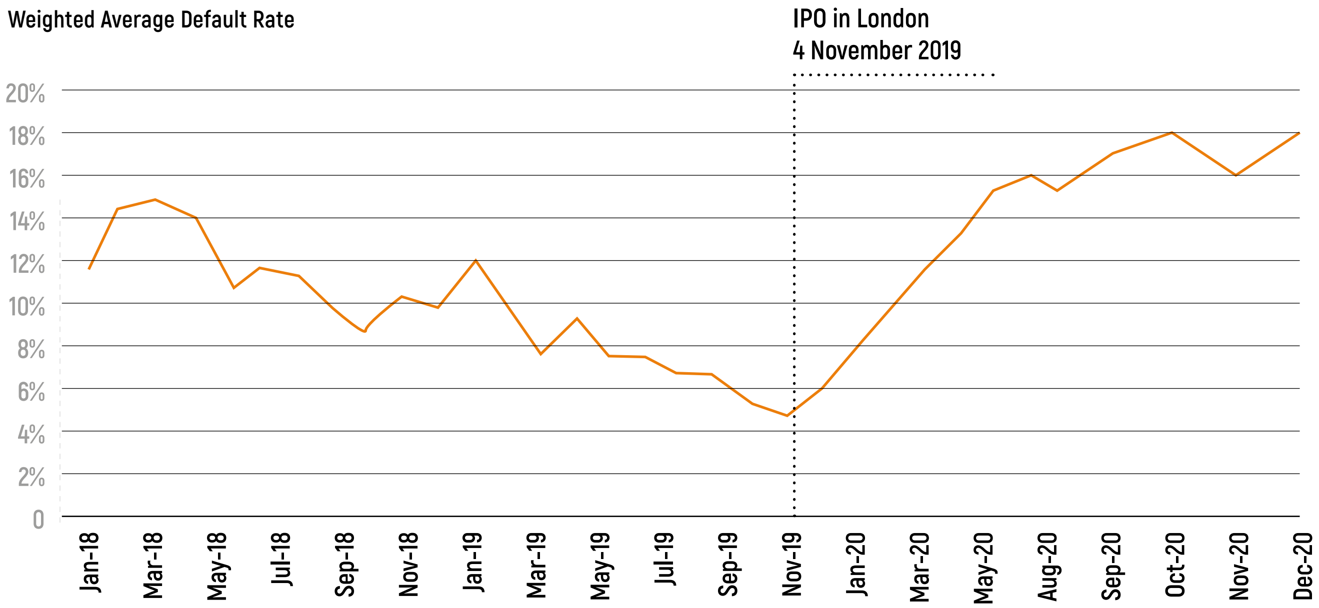
> call center personnel provided with instructions to contact customers regarding overdue payments on a pre-assigned date in order to assist with debt collection, some of which being automated; and

> in the event that loans are not repaid and are considered bad debts or where a consumer is otherwise declared bankrupt, such claims are submitted to a relevant court or state agency (as applicable) for adjudication.

The current level of automation allows Zaim to efficiently process large volumes of micro transactions. The Group's IT system is set up to receive data from the Group's preferred credit agency and independent referencing agencies (including Equifax). These data sources, when combined with the Zaim's own scoring algorithm, help assess the creditworthiness of borrowers.

The Zaim's scoring algorithm is a mathematical multiparameter regression model that forecasts the likelihood of default of the client based on information about the client at the moment of approval of the loan application: application data, existing database information, information provided by the credit bureau and other third-party sources. Zaim undertakes a regular review of the model's parameters to determine whether any finetuning is required.

This system has been successful in reducing the number of non-performing loans which have decreased the weighted average default rate from 22% in February 2017 to between 10 % and 18 % during 2020. The rate naturally increases with a higher proportion of new customers that usually carry higher risk of default than repeated customers and so comparisons between periods are not always reliable indicators. Growth of default rate post the IPO has been driven by the Company's growth rate, which is being controlled and monitored by the management and is in line with the business plan. Zaim customers may repay loans in-store, via its call centres, through its website and internet banking. The Company has developed a number of convenient alternative methods of making repayment.



Zaim's customers may also repay their outstanding loans by using QIWI's e-wallet, which is one of the most popular e-wallets in Russia. Customers may load cash onto their QIWI wallet at various locations including POS terminals, ATMs and dedicated QIWI kiosks. Consumers may also use QIWI's dedicated kiosks to repay their loan with Zaim and to undertake a wide variety of transactions including repayment of bills to utility companies, mobile phone providers and other online purchases. QIWI operates approximately 117,000 kiosks throughout Russia and has a customer base of 32 million customers, who pay more than 145 billion Russian Roubles each month. Zaim is also able to use QIWI "Contact" Payment System which enables Zaim to provide an online application to obtain a cash loan in any region of Russia.

Zaim MasterCard

In 2015, Zaim entered into an agreement with MasterCard Circuit to have its own branded and operated MasterCard.

After a long and intensive negotiation with MasterCard and related Due Diligence, in 2017 Zaim has its own card "made to measure" to serve its clients' microfinancing needs. This card has been specified and customized by Zaim management in order to have the operational tools coherent with microfinance market and clients. It is simple, friendly and with no hidden costs or fees on transactions.

The card can be used by the low-income segment of the population to access various digital and online services, thus becoming the key tool to increase inclusivity. From the possibility to rent a movie on-stream to buy food on-line, the absence of a card would severely impact the lifestyle of people and their ability to participate in the society.

The card is currently a "vector" for Zaim services but it could also become a vector to any third party services as well in the future. It is an especially important product for elderly people or people with disabilities, who can receive and repay loans to the card without leaving their homes. From its launch, Zaim has released over 65,000 branded MasterCards.

Zaim's Business Model

Zaim has worked on developing its own unique business model based on its bespoke IT system and directly managed network of stores. Zaim's 10-year presence in the microfinance loan market has enabled it to develop highly effective credit scorecards. Zaim is able to use the data on its scorecards, loan performance analysis and underwriting decisions, giving it a significant competitive advantage over new entrants to the market. As a result, the Group is well positioned to participate substantively in the further growth potential of the non-standard lending market. Sufficient investment has already been made in Zaim's systems so that they are able to cope with a much larger volume of business with only a small increase in operational expenditure, positioning the Group well for future growth.

As a result of the COVID-19 pandemic during the current year, Zaim accelerated the change in its business model to remote lending via the Internet, which resulted in a significant decrease in fixed leases and staff costs and a decrease to the share of lending costs within total expenses. The Group streamlined its physical store network with the closure of many of its existing stores. As a result, volumes of the loans issued online increased by 16 times from £0.3m in 2019 to £5.0m in 2020. This growth was especially notable in H2 2020 vs. H1 2020: an increase of 540% from £0.7m in H1 2020 to £4.3m in H2 2020. In December 2020, online lending represented 82% of total loans issued vs. only 9% in December 2019

Compliance is important to the Group's business and culture and is implemented through its customer service processes and its underwriting and collection procedures. The Group seeks to treat all of its customers fairly and offers customers in financial difficulty a number of payment options tailored to their individual circumstances. For example, Zaim's policies include never undertaking collections activities or selling on unrecovered debts to third parties who might seek to collect defaulted loans. Zaim reviews all of its customer facing employees at least weekly and operates ongoing refresher training to ensure that the ethical behaviour and principles of treating customers fairly are embedded in its culture.

Financial Overview

	2020	2019	2H 2020	1H 2020
	£'000	£'000	£'000	£'000
Loans issued during the period	10,392	9,028	6,275	4,117
Interest income	4,857	3,941	2,112	2,745
Recurring staff costs	1,708	2,006	743	965
One-off staff costs	102		53	49
Recurring operating expenses	1,871	2,523	818	1053
One-off operating expenses	245	369		245
Net profit (loss)	(615)	(892)	720	(1,335)
Adjusted EBIT[1] for the period	(125)	(177)	808	(933)

	31 December 2020	30 June 2020	31 December 2019
	£'000	£'000	£'000
Gross outstanding loans to customers	28,298	30,844	32,078
Total outstanding loans measured at amortised cost	1,269	718	786
Cash and cash equivalents	641	810	1,583

In 2020, the Group completed an important business transformation, shifting from a predominantly store-based business to an online-based business model, which was accelerated by quarantine measures related to the COVID-19 pandemic. In doing so, the Group put significant efforts into the development of its online platform and closed its less efficient sales offices reducing their number from 91 as at 31 December 2019, to 31 as at 31 December 2020, and further to 27 by 31 March 2021.

The amount of loans issued increased in 2020 by 15% to £10,392k compared to £9,028k in 2019 due to the growth in loans issued online, especially in H2 2020. The loans issued in H2 2020 increased by 52% compared to H1 2020 due to the dramatic increase in loans issued online as a result of the transition to an online-centered business model in H2 2020 and the negative influence of the COVID-19 quarantine measures in Q2 2020.

In Russia, for all the operators in the microfinance market, the maximum interest rate is capped by the regulator – the Central Bank of Russia – at 1% per day, or 365% per year starting from 1 June 2019. The previous maximum interest rate was 1.5% per day, or 547.5% per year. Despite lower interest rates in H2 2019 and 2020 vs. H1 2019, in 2020, interest income increased by 23% compared to 2019 due to the increase in the amount of loans issued and longer average terms of these loans (67 days in 2020 vs. 52 days in 2019).

In H1 2020, the Group recorded one-off restructuring costs of £294k. This included additional staff costs of £49k during H1 2020 caused by a reduction in the number of employees and the hiring of additional staff with fixed-term contracts who were engaged in collection activities following court decisions. The Group also recorded £52k of additional staff costs in H2 2020. As well as this, non-recurring operational costs during H1 2020 were caused by collection activities (aimed at collecting bad debts in the portfolio as of 31 December 2019) comprised of state duty (£208k) and postal services (£37k).

These collection activities recovered £1.62m of the previously written off debt balance, including the principal amount of £453k and £1,167k of accrued interest. The Group received the largest portion of this amount (£1,298k, including the principal amount of £373k and £925k of accrued interest) in the second half of 2020.

Excluding the abovementioned one-off expenses, recurring staff costs decreased by 15% from £2,006k to £1,708k due to overall business optimization and reductions to the average headcount of Zaim by 22% from 273 people in 2019 to 212 people in 2020. A relatively lower decrease in staff costs is partially explained by an increase to Directors' pay in 2020 from £325k to £423k as the Group went public on 4 November 2019 and only 2 months of service for certain Directors was recovered in 2019 vs. 12 months in 2020. For more details on the Directors' pay please see the Remuneration Report on p. 41. It is worth mentioning that staff costs decreased by 23% from £965k in H1 2020 to £743k in H2 2020.

Recurring operating expenses excluding the abovementioned one-off costs in 2020 and the IPO-related costs in 2019 decreased by 26% from £2,523k to £1,871k, driven largely by a reduction in rental expenses. Furthermore, in H2 2020, recurring operating expenses decreased by 22% from £1,053k to £818k due to the closure of retail outlets and transition to an online business model.

The net loss generated by the Company decreased from £892k in 2019 to £615k in 2020 reflecting the transition to an online business model with greater flexibility of the business and growing cost efficiency. Importantly, the Group turned profitable during H2 2020 after the transition to an online-focused business model in Q2 2020. The Group recorded a profit of £720k in H2 2020 vs. a loss of £1,335k in H1 2020.

The adjusted EBIT loss for 2020 improved from £177k to £125k. This also demonstrates the dramatic turnaround in H2 2020 from negative £933k in H1 2020 to positive £808k in H2 2020.

Loans to customers decreased by 12% to £28.3 million compared to £32.1 million as of 31 December 2019. This is mainly a reflection of an increase in the exchange rate of the British pound to the Russian ruble as the British Pound strengthened from 31 December 2019 to 31 December 2020 by over 23%. Without this effect (at the exchange rate of 81.146 as of 31 December 2019), loans to customers as at 31 December 2020 would have amounted to £34.9 million, growing by 9% in rouble terms.

Total loans to customers measured at amortized cost increased by 61% from £786k to £1,269k reflecting the improved quality of the loan book.

Cash and cash equivalents decreased from £1.6 million on 31 December 2019 to £641k on 31 December 2020 as 2019 IPO proceeds were invested into the business and the issuance of new loans to the customers.

With the successful transition from an offline-focused to an online-focused business model Zaim achieved a significant milestone and returned to profitability, dramatically reducing its cost base and increasing scalability. It is now, therefore, well positioned to grow its business and capture demand from its target customer base. It is also insured against the potential negative influence of possible further quarantine measures due to new waves of COVID-19 as most of the operations are performed online and the customers do not need to leave their homes to receive and repay the loans.

[1] Adjusted EBIT is calculated by taking loss for the year adding back accrued interest, non-cash share-based payment charges, costs related to the IPO and one-off restructuring costs which are non-recurring.

Strategy and Development Plans

The Group's strategy includes a focus on the development of the Group's online platform along with the maintenance of its core stores to enable lending to higher quality customers (with comparably low historic defaults). This online-focused business model allows for growth in the lending book and the number of loans made without the capital and operational expenditure of a purely store-based model. In addition, the Group continues to refine its lending and credit ratings' criteria based on experience to reduce default rates and thereby improve operating margins. These factors enabled the Group to increase revenue and turn profitable in the H2 2020.

The Group's main strategy is therefore to develop and improve its online offering and to grow the number of customers obtaining loans online through Zaim's online presence. This strategy was successfully executed in 2020 and the growth of online business (16-fold in 2020 vs. 2020 and 64-fold in H2 2020 vs. H1 2020) exceeded management expectations. In December 2020 82% of loans were issued online while in December 2019 only 9% of the loans were issued via the online platform.

Risk Management

Zaim manages its risk exposures in respect of financial risks (credit, market, currency, liquidity and interest rate), operational and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risk stays within these limits. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit Risk

The Company is exposed to the credit risk of its customers as the Company makes unsecured personal loans to a segment of the population that has difficulty obtaining credit from mainstream financial institutions. The Group uses internally developed models for assessing credit risk and credit worthiness.

Credit risk is the risk of financial loss to Zaim if a counterparty to a financial instrument fails to meet its contractual obligations within the specified period. Zaim has policies and procedures for the management of credit risk exposures (both for recognised financial assets and unrecognised contractual commitments), including requirements for the establishment and monitoring of loan portfolio concentration limits.

The credit policy establishes:

> procedures for review and approval of loan applications,

> methodology for assessment of the borrowers' solvency,

> credit documentation requirements,

> procedures for the ongoing monitoring of loans and other credit exposures.

Zaim continuously monitors the performance of individual loans and regularly reassesses the creditworthiness of its customers. The review is based on the most recent delinquency statistics. Zaim applies the expected credit loss model for the purpose of provisioning for financial debt instruments, the key principle of which is timely reflection of deterioration or improvement in the credit quality of debt financial instruments based on current and forward-looking information.

The amount of expected credit losses recognised as a credit loss allowance depends on the extent of credit quality deterioration since the initial recognition of a debt financial instrument.

Credit risk classification system.

Each level of credit risk is assigned a certain degree of solvency, using a single scoring system:

> minimum credit risk – high credit quality with low expected credit risk, debt is not past due;

> low credit risk – sufficient credit quality with average credit risk, debt is prolonged and not past due;

> moderate credit risk – average credit quality with satisfactory credit risk, the debt is from 1 to 30 days past due;

> high credit risk – low credit quality with unsatisfactory credit risk, high probability of default, the debt is from 31 to 60 days past due;

> default – assets that meet the definition of default, the debt is more than 60 days past due.

Expected credit losses on financial assets that are not impaired are usually measured on the basis of default risk over one or two different time periods, depending on whether there has been a significant increase in the borrower's credit risk since initial recognition.

Zaim-Express performs a collective assessment of loans to individuals. This approach provides for aggregation of the portfolio into homogeneous segments based on specific information about borrowers, such as delinquent loans, historic data on prior period losses and forward-looking macroeconomic information.

Collective assessment principles: for assessing risk stages and estimating ECL on a collective basis, Zaim-Express combines its loans into segments based on shared credit risk characteristics, so that exposure within a grouping had a homogeneous pattern.

Zaim carries out an affordability assessment on the borrower before a loan can be paid out. As a separate exercise, using the knowledge and data from its 10-year presence in the loan market, each potential loan undergoes a creditworthiness assessment based on the applicants' credit history. No formal collateral or guarantees are held against the borrower.

Zaim manages credit risk by actively managing the blend of risk in its portfolio to achieve desired impairment rates in the long term. Zaim aims to achieve the desired risk in the portfolio by managing its scorecards and the maximum amount borrowers are able to borrow depending on their circumstance and credit history. Factors Zaim considers in monitoring the overall impairment rates include the total value of the loan, the home owner status of the guarantor, whether loans are new or repeat loans and whether these are pilot lending loans. Using the data and expected loss curves for the different scorecards, the business can vary its origination levels to target an expected loss rate, impairment level and manage balance sheet risk.

In assessing the level of impairment, the business makes a provision for a percentage of loans that are currently up to date. As part of its procedures, the Directors expect that at any time there will be an element of loans that are currently up to date but where the customer may have an unreported difficulty in repaying the loan and therefore Zaim's practice is to make a provision for the estimated effect. In addition, should a customer enter into a repayment plan, Zaim does not reschedule the terms for its internal reporting. Instead the business calculates the arrears level with reference to the original terms.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments which are exposed to general and specific market movements and changes in the level of volatility of market prices. The Group's exposure is primarily to the risk of changes in interest rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Zaim accepts the risk of the effect of foreign currency exchange rate fluctuations on its financial position and cash flows. Currency risk arises when the existing or prospective assets in foreign currencies are greater or lower than the existing or prospective liabilities in the same currencies.

The main operating subsidiary of the Group, Zaim Express LLC, operates in Russian Roubles, with the majority of transactions with customers and suppliers occurring domestically within the Russian Federation. The Group has its parent company and head office activities operating in the United Kingdom and raises finance from shareholders in Pounds Sterling. The Group is therefore exposed to foreign exchange risks relating to the both £ and RUB.

Exchange rate exposures are managed within approved policy parameters. Zaim-Express's management controls the exposure to currency risk on a regular basis.

Please see Note 20 to the Financial Statements for further information on currency risk.

Interest Rate Risk

The Company historically relied on debt finance to fund its loan book. Such indebtedness may expose the Company to risks associated with movements in prevailing interest rates.

Changes in the level of interest rates can affect, among other things:

> the cost and availability of debt financing and hence the Company's ability to achieve attractive rates of return on its assets;

> the debt financing capability of the Zaim business;

This exposure may be reduced by introducing a combination of fixed and floating interest rates or through the use of hedging transactions (such as derivative transactions, including swaps or caps). Interest rate hedging transactions will only be undertaken for the purpose of efficient portfolio management, and will not be carried out for speculative purposes.

Please see Note 20 to the Financial Statements for further information on interest rate risk.

Liquidity Risk

Liquidity risk arises when the maturity of assets and liabilities does not match. Zaim does not accumulate cash resources to cover all liabilities mentioned above, as based on the existing practice it is possible to forecast with a sufficient degree of certainty the required level of cash funds necessary to meet the above obligations.

The directors have responsibility for liquidity risk management. The directors monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its banking facilities at all times.

To manage its liquidity, Zaim is required to analyze the level of liquid assets needed to settle the liabilities when they fall due, provide access to various sources of financing, draw up plans to solve the problems with financing and exercise control over compliance of the liquidity ratios with the statutory laws and regulations.

Liquidity risk is managed by the Group's central finance department through daily monitoring of expected cash flows, ensuring sufficient funds are drawn against the Group's finance facilities to meet obligations as they fall due. The Group's forecasts and projections, which cover a period of more than 12 months, take into account expected originations, collections, and payments and allow the Group to plan for future liquidity needs.

The CBR sets and monitors liquidity requirements for microfinance institutions. The Company calculates its liquidity ratio in accordance with CBR instruction No. 4384-U dated 24 May 2017 "On establishing economic norms for a microcredit company that attracts funds from individuals, including individual entrepreneurs who are founders (participants, shareholders) and/or legal entities in the form of loans". As at 31 December 2019 and 31 December 2018 the minimum liquidity ratio was 70%. The Company provides the division of the Central Bank of Russia that is supervising its activities with information on the mandatory liquidity ratio in accordance with the established format on a quarterly basis as of the first day of each month.

If the liquidity ratio values approach the limit set by the CBR, this information is communicated to the company's member. The Company complied with the liquidity adequacy ratio as at 31 December 2019 and as at 31 December 2018.

Please see Note 20 to the Financial Statements for further information on liquidity risk.

Operational Risk

The Group is exposed to operational risk which is the risk of losses resulting from inadequate management and control procedures, fraud, poor business decisions, system errors relating to employee mistakes and abuse by employees of their positions, technical failures, settlement errors, natural disasters and misuse of the Group's property.

The Group has established internal control systems intended to comply with the CBR's requirements regarding operational risk. The Board adopts general risk management policy, assesses the efficiency of risk management, approves the Group's management structure, adopts measures designed to ensure continuous business activities of the Group including measures designed for extraordinary and emergency situations and supervises other executive bodies in respect of operational risk management. Management generally oversees the implementation of risk management processes at the Group including relevant internal policies. It also adopts internal regulations on the Group's risk management, determines limits for monitoring operational risks and allocates duties among various bodies responsible for operational risk management.

Legal Risk

Zaim operates in a highly regulated financial services industry and existing laws and regulations could be amended at any time. The manner in which laws and regulations are enforced or interpreted could change and new laws or regulations could be adopted. Any breach of applicable regulations could expose the Group to potential liability and other sanctions, including the exclusion of Zaim from the Registry and revocation of its MCC status, thus depriving it of the opportunity to carry on its business. Furthermore, any changes in regulation and laws could reduce the potential returns the Group earns on its lending operations.

Zaim was included within the registry of microfinance institutions when its status as an MCC was obtained; this inclusion means that the Group is subject to ongoing monitoring and compliance reporting requirements. If Zaim's MCC status is withdrawn or suspended this is likely to have a materially adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group mitigates legal risk by constantly monitoring applicable legislation and ensuring that all legal requirements are met.

Force Majeure and Epidemic Risk

In 2020 the coronavirus (COVID-19) outbreak emerged with governments across the world taking actions and measures to contain the spread of infection, this like most other industry had an impact on the business of the Group.

The Russian authorities took a number of steps aimed at containing the spread of COVID-19, including travel restrictions with other countries, social distancing initiatives and announcing holidays in Russia from 30 March 2020 to 11 May 2020, with a number of further restrictions in Moscow and the Moscow region that were to a larger extent lifted mid-June 2020. The Russian authorities also enacted the closure of non-essential businesses in Moscow and Moscow Region, where part of Zaim's main operations are focused and announced a set of economic measures and subsidies aimed to help affected business and the wider population. ZaimExpress's offices were allowed to continue operating during the holidays, however, additional restrictions were implemented during the second and third waves of COVID-19 and can be implemented in future.

Zaim's team is well prepared to continue their work while at the same time ensuring the safety of employees and clients as a top priority. Zaim proactively implemented strict health and safety policies specifically tailored to COVID-19, including working from home for the entire head office staff, taking all necessary disinfection measures in our stores such as using hand sanitizers, medical masks and more frequent cleaning of the customer area. The clients can enter the shop in compliance with the social distancing prescriptions or one at a time. Zaim continues to follow all the recommendations of local health authorities and the World Health Organisation to the best of its ability.

As part of its strategy Zaim has developed a convenient online platform, allowing customers to receive and repay the loan via the internet or by phone in less than 10 minutes without leaving their homes. This is an especially important option in the era of social distancing. Zaim can also deliver its Zaim MasterCard debit card to its clients and provide the loans to these cards while continuing to observe these COVID-19 prevention measures.

Although there is a risk that further anti-pandemic measures in response to COVID-19 or other infections can be implemented, currently the Group's business model is much less dependent on physical stores with over 80% of loans issued and repaid online. This protects the Company from potential risks of the pandemic and any anti-pandemic measures.

Sustainability

The World economy is rapidly moving toward digitalization. The consumption of online services and products is becoming part of customers' basic needs. At the same time, a larger and larger segment of population cannot access the "minimum lifestyle level" in order to be able to consume these services. The key to enter this online world is the availability of a bank card.

The COVID-19 pandemic and associated lockdown restrictions made and continue to make this inequality even more prevalent. Being locked inside their houses people worked, communicated, studied and entertained themselves online and via a remote/e-commerce platform. Significant segments of population are unable to use these basic services.

A combination of financial burdens with technology has become the real "Digital Divide".

Non-availability of bankcards is the main barrier for lower income segments of the population to join the world and participate in its future evolutions. This could become the new segregation wall.

From the possibility to rent a movie on-stream or to buy food online, the non-availability of financial services will severely impact the lifestyle of people and their ability to participate in society.

The Zaim platform is conceived to provide easy access and solve the divide. This makes Zaim Express MasterCard and its online products key tools of inclusivity. The products have been conceived in coherence with the microfinance clients' needs: simple, transparent, and with no hidden costs or fees on transactions.

Lending to heavily neglected people gives them awareness that "they can have a further chance".

Providing people with bankcards and easy access to financing allows them to use services that were previously impossible or extremely complicated to access, which dramatically improves their lifestyle, especially in the current "stay at home" environment.

This Strategic Report statement was approved by the Board of Directors on 29 April 2021 and is signed on its behalf by:

SIMON RETTER
Finance Director and Company Secretary
29 April 2021

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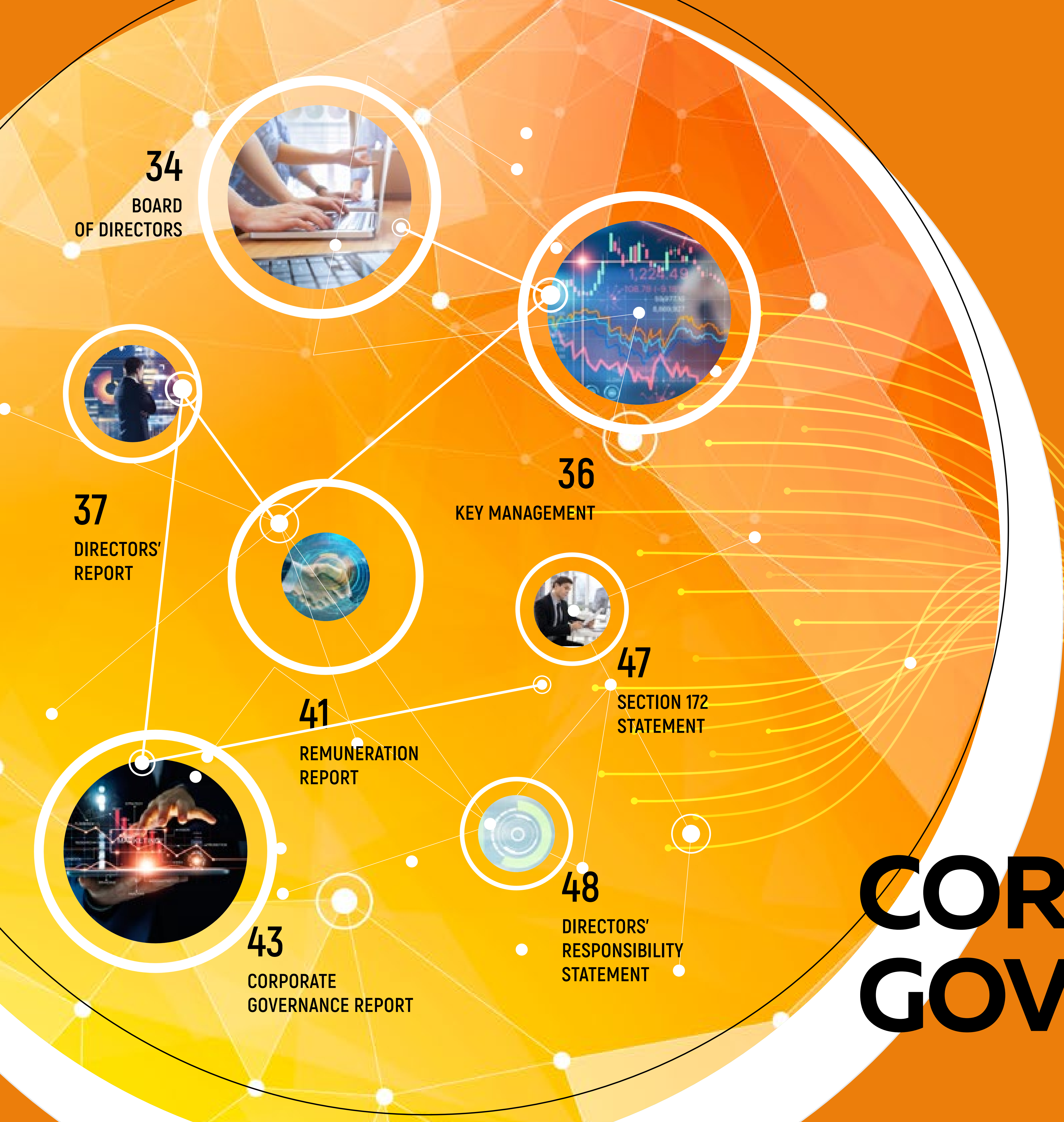
CORPORATE GOVERNANCE



Board of Directors

The Board of Directors of Zaim Credit Systems Plc consists of five members, including two independent directors. The Directors are responsible for carrying out the Company's objectives, implementing its business strategy and conducting its overall supervision.

The Board provides leadership within a framework of prudent and effective controls. The Board establishes the corporate governance values of the Company and have overall responsibility for setting the Company's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Company.

Zaim strives to have a broad board with members from a diverse set of backgrounds as well as detailed experience relevaent to the sector in which the Group operates. As such, directors maintain their skills by various methods, including in house and external training, corporate governance literature and for the non-executives skills and experience gained from holding other roles at publicly listed and sector relevant companies. Given the Group's size and maturity, this is deemed sufficient for a company such as Zaim.

The Non Executive Director and Chairman are committed to undertake approximately two days per month or whatever other commitment is required to satisfactorily undertake the role. The COO is full time and the CEO and FD are committed to whatever level of time is required to satisfactorily execute the role. This is maintained under constant review by the Board and will be amended if required.

Malcolm Groat
Non-Executive Chairman

Mr Groat is a Chartered Accountant and MBA graduate. Following an early career with PwC in London, he held CFO, COO and CEO roles in international businesses, including with the construction engineering firm that is now Arcadis. Since 2005, Mr Groat has held non-executive board positions, mainly with growth ventures listed on the AIM and the main market, but also with larger bodies such as the UK's former Milk Marketing Board, Corps Security and Baronsmead Second Venture Trust PLC. Mr Groat chaired a Singapore-based consulting firm (2010–2012) and a UK-based technology group (2013–2015) that enables secure and fast IT connectivity for financial institutions and military organisations around the world.

Paul James Auger
Non-Executive Director

With a career of over 30 years in finance and lending, Mr Auger has been a director of an Essex-based and FCA-regulated microlender TFS Loans Limited ("TFS") for over 10 years. Established by Paul in 2009, TFS is focused on the guarantor loans market and currently offers guaranteed loans under £15,000 to retail consumers. Established in 2009, TFS was initially authorised by the Office of Fair Trading until responsibility was transferred to the FCA in April 2014 when it was given interim authorisation until full authorisation was granted by the FCA at the end of 2016.

Siro Donato Cicconi
Chief Executive Officer

Siro is an experienced Italian executive director that has worked for and advised numerous businesses in Italy many of which were in turnaround or distressed situations. In the late 1990s, Siro advised on fundraisings for strategic R&D projects of many organisations (including Alfa Gomma Group and Benelli Motors SpA), which involved managing relations with European, Italian and local financial administrations. He also assisted several other industrial groups in raising finance for their acquisition plans. From 2005 until 2010, he provided corporate finance advice to several businesses. Between 2011 and 2013, he was appointed Managing Director of IMT SpA, a large Italian manufacturer of drilling equipment, to turn around that business. After finishing this role, he became the Managing Director of EER to fund Zaim and managed the rationalisation of Zaim's operations and returned it to profitability.

Vladimir Golovko
Chief Operating Officer

Vladimir was previously the COO of Zaim Express LLC from inception in 2011 prior to becoming CEO of this Company. At the same time, he serves as the Chief Operating Officer of Zaim Credit Systems. Prior to joining Zaim, he was General Manager of the Pyaterochka retail chain (a franchise network) (2004–2011) and had previously been Communications Director (1999–2011). Vladimir also previously worked for Uniland (the largest wholesale company in Russia at the time) as a Sales and Marketing Manager; Uniland now operates as the supermarket chain, DIXY. Vladimir graduated from the Volgograd branch of Moscow State University of Commerce in 1997 with a degree in Management.

Simon James Retter
Finance Director

Simon started his career at Deloitte & Touche LLP (now known as Deloitte LLP), where he qualified as a Chartered Accountant specialising in corporate finance transactions. He has been instrumental in setting up several private and listed companies. Simon has undertaken numerous IPOs and reverse takeovers and has a wealth of public market experience. He currently holds the position of Finance Director of SulNOx Group plc which has developed an innovative fuel conditioner to reduce harmful emissions from diesel and HFO combustion engines as well as various other board positions of listed companies across a broad range of industries.

Company Secretary
Simon James Retter is the Company Secretary of the Company.

Key Management

Vladimir Golovko
Chief Executive Officer

Vladimir was previously the COO of Zaim from its inception in 2011 prior to becoming the CEO. At the same time, he serves as the Chief Operating Officer of Zaim Credit Systems. Prior to joining Zaim, he was General Manager of the Pyaterochka retail chain (a franchise network) (2004–2011) and had previously been Communications Director (1999–2011). Vladimir also previously worked for Uniland (the largest wholesale company in Russia at the time) as a Sales and Marketing Manager; Uniland now operates as a supermarket chain, DIXY. Vladimir graduated from the Volgograd branch of Moscow State University of Commerce in 1997 with a degree in Management.

Andrey Katyshkov
Chief Financial Officer

Mr Katyshkov joined Zaim at the beginning of 2018 as CFO and had previously worked for Basic Element, one of the biggest investment funds in Russia working in corporate finance. Mr Katyshkov worked with GIP Group in 2011–2012 as an Investment Specialist within its investment department. Prior to this, Mr Katyshkov worked as an Investment Analyst with an investment fund, Ost West Group, in 2002–2006. Mr Katyshkov graduated from Moscow State University of Economics, Statistics and Information Systems in 2003 with a degree in Finance, followed by postgraduate studies at Moscow Financial Industrial Academy which he completed in 2006.

Alexander Akhmetov
Head of Legal Department

Mr Akhmetov joined Zaim in 2011 first as legal counsel and, starting from 2014, as Head of the Legal Department. Prior to joining Zaim Express LLC, Mr Akhmetov worked for a law firm called Yurconri before practicing at the Arbitration Court of the Moscow Region. Mr Akhmetov graduated from Moscow Engineering Physics Institute in 2007 with a degree in Accounting and subsequently graduated from Moscow State Law Academy in 2011 with a degree in Law.

Vildan Vegerio
Head of Network Management

Prior to his appointment as Head of Network Management of Zaim in 2016, Mr Vegerio had worked with the Company as a Senior Customer Relationship Specialist from 2011. Mr Vegerio graduated from the International Slavic Institute with a degree in Economics in 2011.

Directors' Report

The Directors present their Annual Report on the affairs of Zaim Credit Systems Plc together with the audited Financial Statements for the year ended 31 December 2020.

Principal Activities

The principal activity of the Group and Company is providing customers with small-size short-term loans.

Financial Review

Financial review of the Group is presented in the "Financial Overview" section of the current Annual Report.

Going Concern

These consolidated financial statements reflect the Group management's current assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the RF Government and other factors, including regulatory and political developments which are beyond the Group's control. The Group's management cannot predict what impact these factors will have on the Group's financial position in future. As a result, adjustments related to this risk have not been included in the accompanying financial statements.

As at 31 December 2020, the Group has an accumulated deficit of GBP 38,262,611 (2019: GBP 37,648,092), and incurred a net loss of GBP 614,519 during the year ended 31 December 2020 (2019: GBP 891,589).

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page [4] and Chief Executive Review on page [6]. In addition note 3 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

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 is planning 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. Despite temporary suspension of judicial and enforcement proceedings during the COVID-19 pandemic, the proceeds from the loans of Stage 3 in 2020 increased by 87% compared to 2019.

The CBR sets the minimum mandatory liquidity ratio at over 70%. The Subsidiary meets the mandatory liquidity ratio: as at 31 December 2020 - 153.74% (unaudited) and as at 31 December 2019 – 132.89% (un- audited).

As a result of considerations noted above, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

Dividends

The Directors do not recommend payment of a dividend (2019: £Nil).

The Directors recognise the importance of dividends to Investors and as soon as Zaim's business is at a mature stage of development, the Directors will review the desirability of paying dividends. Income generated by the Company in the near term is likely to be re-invested by the Company to implement its strategy. As a holding company, the Company will be dependent upon dividends being declared and paid by its subsidiary. The Board does not anticipate declaring dividends in the short term, but it may recommend dividends at some future date, depending upon, inter alia, the Zaim Business demonstrating sustainable profits and the financial position of the Company. The Board can neither give assurances that it will pay dividends in the future nor, if dividends are paid, what the amount of such dividends will be.

Health and Safety

Health and safety of our employees is of paramount importance to our Company. During the COVID-19 outbreak, Zaim has been proactively implementing strict health and safety policies specifically tailored to COVID-19, including working from home for the entire head office staff and taking all necessary disinfection measures in our stores, such as using hand sanitizers, medical masks and more frequent cleaning of the customer zone. Clients could enter the shop in compliance with the social distancing instructions or one at a time. Subsequently, COVID-19-related restrictions were eased. A of the date of this report, our customer-facing employees and our clients are obliged to use medical masks and gloves and maintain social distancing. We continue following all the recommendations of local health authorities and the World Health Organisation.

Social, Community and Human Right Issues and Policies

The Company does not have formal social, community and human rights policies.

Environmental Matters

The Company's activities do not have a negative impact on the environment as it is a financial services company and it does not own or operate heavy machinery or air- or water-polluting equipment. The Company does not have formal policies on this matter.

Employees

As of 31 December 2020, the Group had 199 employees. Our employees are our most valuable resource and we focus on creating a comfortable working environment for them. Zaim sets high standards for customer service and conducts regular training for its employees. We see innovation as a tool to ensure customer loyalty and increase the motivation of our employees. We invest in human capital through continuous staff training, development of a personnel reserve system and the career growth of our employees. Responsibility, honesty, and openness are core values of our Company.

The Company has the following internal policies:

> On recruitment, evaluation and management of employees

> On hiring and allocating of employees

> On education, adaptation and evaluation of employees

> On motivation and remuneration of employees

Gender Diversity

Although the Board and top management consists only of male members, the Company supports diversity in the Boardroom and the Financial Reporting Council aims to encourage such diversity. The following table sets out a breakdown by gender as of 31 December 2020:

	Male	Female
Directors	5	0
Senior Management	4	0
Other employees	58	132

Substantial Shareholdings

The Directors are aware of the following substantial interests or holdings of 3% or more of the Company's ordinary called-up share capital as of 29 April 2021.

Shareholder	Number of shares	Percentage
Zaim SA[1]	320,000,000	73.23%

There was no change in the interests set out above between 31 December 2020 and 29 April 2021.

Share Capital

Changes in the share capital of the Company, including the disclosure of earnings per share, are set out in Note 11 to the Financial Statements.

Voting Rights

All the issued shares have equal voting rights.

Directors and Their Interests

The names of the Directors of the Company at the date of this report are shown in the "Board of Directors" section of this report.

1 Siro Cicconi's interest in shares is through Zaim SA, which he wholly owns through his life interest in Excelsior Foundation which wholly owns Zaim SA.

The Directors who served during the year together with their directly beneficial interests in the shares of the Company as of 31 December 2020 are as follows:

Director	Date of appointment	2020	2020	2019	2019
		Shares	Option	Shares	Options
Malcolm Groat	4.11.2019	0	2,150,000	0	2,150,000
Paul James Auger	4.11.2019	0	2,000,000	0	0
Siro Donato Cicconi	22.07.2019	320,000,000	10,750,000	320,000,000	10,750,000
Simon James Retter[2]	15.06.2018	3,600,000	6,450,000	3,600,000	6,450,000
Vladimir Golovko	25.10.2019		8,600,000	0	8,600,000

None of the Directors exercised any share options during the year.

Restrictions on the Transfer of Securities

Pursuant to a lock-in deed entered into between the Directors, Optiva Securities Limited, Beaumont Cornish Limited and the Company have agreed to the following lock-up arrangements:

(a) for a 12-month lock-up period from 29 October 2019, the Directors have agreed that, subject to certain customary exceptions, they will not directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any ordinary shares held by them immediately after admission (or any ordinary shares which may accrue to them as a result of such holding) or enter into any transaction with the same economic effect as any of the foregoing;

(b) for a further 12 months after the initial lock-up period ends, the Directors have undertaken that, subject to certain customary exceptions, they will not directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any ordinary shares held by them immediately after admission (or any ordinary shares which may accrue to them as a result of such holding), or enter into any transaction with the same economic effect as any of the foregoing otherwise than through Optiva (subject to certain customary exceptions); and

(c) Siro Cicconi has provided an undertaking that, subject to customary exceptions, he will not directly or indirectly transfer his legal or beneficial interest in the share capital of Zaim SA for a period of twelve months from admission.

Accordingly, as from 29 October 2021 the Directors' holdings will no longer be subject to orderly market arrangements.

Relationship Agreement

The Board confirms that on 29 October 2019, Siro Cicconi, Zaim SA and the Company entered into a relationship agreement to ensure that the Company is able to carry on its business independently of Siro Cicconi and Zaim SA and that all transactions and relationships with Siro Cicconi and Zaim SA shall be on an arms' length and normal commercial basis. Where either of the Founder Shareholder Parties holds or in aggregate hold 20% or more of the total voting rights in the Company, Zaim SA has the right to appoint a representative director. In addition, where either of the Founder Shareholder Parties holds or in aggregate hold 15% or more of the total voting rights in the Company, they have the right to appoint a Board observer.

The Company complied with the Relationship Agreement during the period under review. So far as the Company is aware, the agreement was complied with during the period under review by the controlling shareholder or any of its associates; and the procurement obligation was complied with during the period under review by a controlling shareholder.

Directors' Statement as to the Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

Matters Covered in the Business Review

The business review and review of KPIs are included in the "Operational Overview" section of the Strategic Report.

2 On 9 February 2021, Stonedale Management & Investments Ltd, a company controlled by Simon Retter, Finance Director of the Company, purchased 1,300,000 ordinary Zaim shares of £0.01 each at a price of 4.4 p per share. Following this transaction, Mr Retter has a beneficial interest in 4,900,000 ordinary shares, representing 1.12% of the Company's issued share capital.

Events after the Reporting Date

The events after the reporting date are set out in Note 28 to the Financial Statements.

Future Developments

In 2021, the Group will be working towards further implementation of its online growth strategy. On 1 April 2021, the Group attracted additional financing of RUB50m (approximately GBP500,000) that, in addition to equity financing following the IPO and necessary investments already made into the online platform, make Zaim well-positioned to grow its business and capture the demand from the less well-off part of the Russian population.

Information on Exposure to Risks

Principal risks and uncertainties are discussed in the Risk Management section of this report as well as in Note 20 to the Financial Statements.

Financial Instruments

The financial risk management policies and objectives are set out in detail in Note 20 to the Financial Statements.

Greenhouse Gas Emissions

The Group has as yet minimal greenhouse gas emissions to report from the operations of the Group and does not have responsibility for any other emission-producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014.

Corporate Governance

Please refer to the Corporate Governance Report section of this document.

Amendment of the Company's Articles of Association

The Directors do not have any specific procedures in place regarding any potential changes to the Company's Articles of Association, but should this need arise, it will be presented to shareholders at a general meeting in line with the company law.

Appointment and Replacement of Directors

Subject to the Articles of Association and the Companies Act, the Company may by ordinary resolution appoint a person who is willing to act as a Director and the Board shall have power at any time to appoint any person who is willing to act as a Director, in both cases either to fill a vacancy or as an addition to the existing Board.

At the first annual general meeting, all the Directors shall retire from office and may offer themselves for reappointment by the Shareholders by ordinary resolution.

At every subsequent annual general meeting, any Director who (i) has been appointed by the Directors since the last annual general meeting or (ii) was not appointed or reappointed at one of the preceding two annual general meetings must retire from office and may offer themselves for reappointment by the Shareholders by ordinary resolution.

Powers of the Company's Directors

The Directors do not have any specific procedures in place regarding any potential changes to the opportunity for the Company to buy back its own shares, but should this need arise, they will be presented to the shareholders at a general meeting in line with company law.

Directors and Officers Insurance

The Group has not provided Directors and Officers insurance for both the current and prior periods.

Annual General Meeting

The Notice of the Annual General Meeting of the Company will be distributed to shareholders together with the Annual Report. Full details of the business to be considered at that meeting can be found in the Notice.

Independent Auditor

The auditor, Shipleys LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Shipleys LLP has signified its willingness to continue in office as Auditor.

By Order of the Board,
SIMON RETTER
Company Secretary
29 April 2021

Remuneration Report

The Board of Directors of Zaim Credit Systems Plc formed the Remuneration Committee that was constituted at a full meeting of the Board held on 29 October 2019 in accordance with the Articles of Association of the Company.

The Committee determines and agrees with the Board the framework or broad policy for the remuneration of the Company's Chairperson and the Executive Directors, including pension rights and compensation payments. The remuneration of Non-executive Directors shall be a matter for the Board or the shareholders (within the limits set in the Articles of Association). No Director or Senior Manager shall be involved in any decisions as to their own remuneration. The Committee recommends and monitors the level and structure of remuneration for senior management.

The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain Directors and Senior Managers of the highest calibre who can contribute their experience to deliver industry-leading performance with the Group's operations.

As is common for a company the size of Zaim, there is no Directors remuneration policy, although the terms of the Directors contracts are set out in this report.

Below are the summary service contracts and appointment letters of the Directors:

Non-Executive Chairman—Malcolm Groat

Malcolm Groat is paid an annual salary of £25,000 which shall escalate to £35,000 if Zaim reaches EBITDA of £200,000 per calendar month.

Chief Executive Officer—Siro Cicconi

Siro Cicconi is paid an annual salary of £100,000 which shall escalate to £200,000 per annum if Zaim reaches EBITDA of £200,000 per calendar month and shall further escalate to £350,000 per annum if Zaim reaches EBITDA of £350,000 per calendar month.

Chief Operating Officer—Vladimir Golovko

Vladimir Golovko is paid an annual salary of £10,000 by the Company. Under the terms of an agreement dated 21 December 2017, Vladimir Golovko is also employed by Zaim for a monthly salary of 700,000 Russian Roubles (approximately £7,000) and a yearly bonus determined by the shareholders with reference to the key performance indicators.

A discretionary quarterly bonus is typically paid in the amount of the monthly salary (depending on performance).

Finance Director—Simon Retter

Simon Retter is paid an annual salary of £60,000 which shall escalate to £120,000 per annum if Zaim reaches EBITDA of £200,000 per calendar month and shall further escalate to £150,000 per annum if Zaim reaches EBITDA of £350,000 per calendar month.

Non-executive Director—Paul Auger

Paul Auger is paid an annual salary of £20,000 which shall escalate to £27,000 per annum if Zaim reaches EBITDA of £200,000 per calendar month.

Below is the summary of remuneration for each Director for 2020:

	Salary	Other fees/ bonus	Benefits	Pension contributions	Share-based payment charge	Total
	£	£	£	£	£	£
Malcolm Groat	25,000	-	-	-	-	25,000
Siro Donato Cicconi	100,000	35,000	-	-	-	135,000
Vladimir Golovko	124,361	3,500	-	-	32,616	160,477
Simon James Retter*	60,000	21,000	-	-	-	81,000
Paul James Auger	20,000	-	-	-	1,788	21,788
Total	**329,361**	**59,500**	**-**	**-**	**34,404**	**423,265**

Below is the summary of remuneration for each Director for 2019 when the Directors received their compensation for two months only—November and December, since the Group went public only on 4 November 2019:

	Salary	Other fees	Benefits	Pension contributions	Share-based payment charge	Total
	£	£	£	£	£	£
Malcolm Groat	4,167	-	-	-	12,219	16,386
Siro Donato Cicconi	16,667	-	-	-	61,093	77,760
Vladimir Golovko	149,423	-	-	-	6,115	155,538
Simon James Retter*	10,000	40,000	-	-	36,656	86,656
Paul James Auger	3,333	-	-	-	-	3,333
Total	**183,590**	**40,000**	**-**	**-**	**116,083**	**339,673**

* Includes £40,000 fees charged to Zaim and share-based payment charge of £36,656 in respect of the services provided by the company controlled by Simon Retter before the acquisition of Zaim by ZCS.

Shares and options held by the Directors are as follows:

	Shares held 2020	Share options 2020	Shares held 2019	Share options 2019
Malcolm Groat		2,150,000	-	2,150,000
Siro Donato Cicconi	320,000,000	10,750,000	320,000,000	10,750,000
Vladimir Golovko		8,600,000	-	8,600,000
Simon James Retter*	3,600,000	6,450,000	3,600,000	6,450,000
Paul James Auger		2,000,000	-	-

* On 9 February 2021, Stonedale Management & Investments Ltd, a company controlled by Simon Retter, Finance Director of the Group, purchased 1,300,000 ordinary ZCS shares and at the date of this report was beneficially interested in 4,900,000 shares.

The only discretionary pay received by the Directors was related to a performance-related bonus; all other terms of the Director's remunerations are fixed as per contracts set out above and are directly linked to the EBIT generated by Zaim on a monthly basis. As of the end of 2020, none of these milestones had been reached.

There is no LTIP in place other than the unapproved options scheme and none of the Directors received any benefits in kind or pension contributions.

The Company issued certain Directors with options exercisable at the issue price of 2.5 p at the date of the IPO and subsequent options to one Non-executive Director at 2.7 p during 2020. The share-based payment charge was calculated using the Black Scholes method and included in the tables above.

Approved on behalf of the Board,
MALCOLM GROAT
Non-Executive Chairman
29 April 2021

Corporate Governance Report

Corporate Governance Practices

The Board recognises the importance of sound corporate governance commensurate with the size of the Company and the interests of Shareholders. As the Company is listed in the Standard segment of the Official List of the LSE, it is not required to comply with the UK Corporate Governance Code, which is applicable to all companies whose securities are admitted to trading in the premium segment of the Official List. The UK Corporate Governance Code can be found at https://www.frc.org.uk/directors/corporate-governance-and-stewardship. Nevertheless, the Directors are committed to maintaining high standards of corporate governance and, so far as is practicable given the Company's size and nature, voluntarily adopt and comply with the QCA Code. However, at present, due to the size of the Company, the Directors acknowledge that adherence to certain provisions of the QCA Code may be delayed until such time as the Directors are able to fully adopt them.

The Role of the Board

The Company holds timely Board meetings as issues arise which require the attention of the Board. The Board is responsible for the management of the Company, setting the strategic direction of the Company and establishing the policies of the Company. It is the Directors' responsibility to oversee the financial position of the Company and monitor the business and affairs of the Company on behalf of the Shareholders, to whom they are accountable. The primary duty of the Directors is to act in the best interests of the Company at all times. The Board also addresses issues related to internal control and the Company's approach to risk management.

The Directors established an Audit Committee and a Remuneration Committee. The Board do not consider it appropriate to establish a Nomination Committee at this stage of the Company's development, and decisions usually undertaken by those committees will be taken by the Board as a whole.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal controls, including reviewing and monitoring the integrity of the Group's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by the Group's external auditors, advising on the appointment of such external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process and reviewing the effectiveness of the Group's internal control and review function. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will meet not less than twice a year. The Audit Committee is chaired by Malcolm Groat, and its other member is Paul Auger. The Directors consider that Simon Retter has recent and relevant financial experience. In 2020, the Audit Committee met on 4 June 2020.

The Group does not currently have an internal audit function, but as the business grows and matures will look to implement one when appropriate. The group has increased its finance function since its listing and continues to grow its capability in line with the size of the business.

Remuneration Committee

The Group established a Remuneration Committee, which comprises Malcolm Groat as Chairman and Paul Auger, to review the performance of the Executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of Shareholders. In determining the remuneration of Executive Directors, the Remuneration Committee seeks to enable the Group to attract and retain executives of the highest calibre. The Remuneration Committee also make recommendations to the Board concerning the allocation of any share awards. No Director is permitted to participate in discussions or decisions concerning their own remuneration. In 2020, the Remuneration Committee met on 28 October 2020.

When setting the balance between fixed and variable pay, Remuneration Committee bears in mind that a significant proportion of remuneration is structured so as to link rewards to corporate and individual performance and is designed to promote the long term success of the Company.

The Remuneration Committee bears in mind the Company's appetite for risk and align Directors' remuneration to the Company's long-term strategic goals. The Remuneration Committee ensures that contractual terms on termination and any payments made are fair to the individual and the Company; that failure is not rewarded and the duty to mitigate loss is fully recognised.

When setting remuneration policy for directors of the Company, the Committee reviews and has regard to the pay and employment conditions across the company or group, especially when determining salary increases.

Market Abuse Regulation

The Board adopted a share dealing code that complies with the requirements of the Market Abuse Regulation. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the MAR by the Directors and persons discharging managerial responsibilities. The FCA is the competent authority for the MAR and has powers to intervene as competent authority and will be responsible for the investigation and enforcement of breaches of MAR.

Board Meetings

The core activities of the Board are carried out during scheduled meetings of the Board. These meetings are timed to link to key events in the Group's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings.

In 2020, the Board met on eight occasions:

Attendance at meetings:

	Malcolm Groat	Siro Donato Cicconi	Simon James Retter	Paul James Auger	Vladimir Golovko
	Non-Executive Chairman	Director and CEO	Finance Director	Non-Executive Director	Chief Operating Officer
20 January 2020	x	x	x	x	x
22 April 2020	x	x	x	x	x
27 May 2020	x	x	x	x	x
12 June 2020	x	x	x	x	x
29 June 2020	x	x	x	x	x
17 September 2020	x	x	x	x	x
22 October 2020	x	x	x	x	x
15 December 2020	x	x	x	x	x

Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any concerns they may have relating to the Group or their areas of responsibility and to keep them fully briefed on the Company's operations.

Matters Reserved Specifically for the Board

The Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of the following:

- The Group's overall strategy;
- Financial Statements and dividend policy;
- Management structure including succession planning, appointments and remuneration; material acquisitions and disposal, material contracts, major capital expenditure projects and budgets;
- Capital structure, debt and equity financing and other matters;
- Risk management and internal controls;
- The Group's corporate governance and compliance arrangements; and
- Corporate policies.

Effectiveness

For the period under review, the Board comprised a Chief Executive Officer, a non-executive Chairman and three other Directors, including one independent non-executive Director. See biographical details in the "Board of Directors" subsection of the "Corporate Governance" section of this report.

The Directors are of the view that the Board and its Committees consist of Directors with an appropriate combination of skills, experience, independence and diverse backgrounds to enable them to carry out their duties and responsibilities effectively.

Independence

The Board considers each of the non-executive Directors to be independent in character and judgement.

Appointments

The Board is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any required changes.

Commitments

All the Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to perform their duties.

Induction

All new Directors received an induction as soon as practical upon joining the Board.

Conflicts of Interest

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or may possibly conflict with the interests of the Group and the Company. The Board has satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Board Performance and Evaluation

The Company has a policy of appraising Board performance annually. Having reviewed various approaches to Board appraisal, the Company has concluded that for a Company of its current scale, given the COVID-19 restrictions, an internal process of regular videoconference meetings is the most appropriate, in which all Board members can discuss any issues as and when they arise in relation to the Board or any individual member's performance.

Remuneration Policy

In determining the remuneration policy, the Committee takes into account all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of relevant guidance. The objective of such a policy shall be to attract, retain and motivate the executive management of the Company without paying more than necessary. The remuneration policy bears in mind the Company's appetite for risk and is aligned to the Company's long-term strategic goals. A significant proportion of remuneration is structured so as to link rewards to corporate and individual performance and is designed to promote the log-term success of the Company.

When setting the remuneration policy for the Directors of the Company, the Committee reviews and has regard to the pay and employment conditions across the Company or the Group, especially when determining salary increases.

All Remuneration Committee members demonstrate independent judgement and discretion when determining and approving remuneration outcomes.

Investing in the Company's Workforce

Remuneration system of the Company includes:

1. Guaranteed salary, which is the fixed monetary remuneration of an employee.

This amount does not depend on financial situation of the organisation, personal characteristics of the employee and other factors. It includes:

- basic salary for the time actually worked
- compensations for overnight and overtime work
- allowances;

2. Variable part of the salary linked to professional achievements of the employee:

- bonus for overachievement of the plan;
- payment for participation in the training of young professionals.

Diversity

Although the Board consists of only male Directors, the Board supports diversity in the Boardroom and the Financial Reporting Council aims to encourage such diversity.

Accountability

The Board is committed to providing shareholders with a clear assessment of the Group's position and prospects. This is achieved through this report and other periodic financial and trading statements as required.

External Audit

No significant issues were identified during the external audit process undertaken by the external auditors. The Audit Committee reviews the audit process each year and, in addition, analyses the performance and feedback from the external auditors as part of the reporting process. The Audit Committee assesses the external auditor's independence, length of service and provision of non-audit services as part of the review of the suitability of the external auditors to continue to hold office for the following year and therefore seek reappointment at the next AGM. A tender was not submitted for reappointment of the audit this year as the current external auditors held office for less than the statutory number of years prior to a retender process.

The external auditor of the Group is independent and objective as they do not provide any non-audit services.

Internal controls

The Board of Directors reviews the effectiveness of the Group's and Company's system of internal controls in line with the requirements of the Code. The internal control system is designed to manage the risk of failure to achieve business objectives. This covers internal financial and operational controls, compliances and risk management. The Company has necessary procedures in place for the year under review and up to the date of approval of the Annual Report and Financial Statements. The Directors acknowledge their responsibility for the Group's and Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Group. The Directors carry out a risk assessment before signing up to any commitments.

The Audit Committee regularly reviews and reports to the Board on the effectiveness of the system of internal control. Given the size of the Group and the Company and the relative simplicity of the systems, the Board considers that there is no current requirement for an internal audit function. The procedures that have been established to provide internal financial control are considered appropriate for a Group and Company of its size and include controls over expenditure, regular reconciliations and management accounts.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Nomination

Currently, due to the size of the Group, there is no Nomination Committee.

Shareholder relations

Open and transparent communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations made at the time of release of the annual and interim results. All the Directors are kept aware of changes in major shareholders in the Company and are available for conference calls or meetings (subject to COVID-19 restrictions) with shareholders who have specific interests or concerns. The Group issues its results promptly to individual shareholders and also publishes them on the Company's website: www.zaimcreditsystemsplc.com. Regular updates to record news in relation to the Group are included on the Company's website.

The Directors are available to meet with institutional shareholders to discuss any issues and gain an understanding of the Company's business, its strategies and governance. Meetings are also held with corporate governance representatives of institutional investors when requested.

Our AGMs give the Board the opportunity to engage with investors on the running of their company and to receive feedback. ZCS plans to conduct its first AGM following the publication of this annual report, but due to the exceptional circumstances surrounding COVID-19 and the Stay at Home measures in force in the United Kingdom, shareholders will not be permitted to attend.

The Board also considers the views and interests of other key stakeholders, including clients, employees, regulators and society as a whole in its discussions.

Annual General Meeting

At every annual general meeting, individual shareholders are given the opportunity to put forward questions to the Chairman and to other members of the Board that may be present. Notice of the annual general meeting is sent to shareholders at least 21 clear days before the annual general meeting. Details of proxy votes for and against each resolution together with the votes withheld are announced by way of regulatory information service and are published on the Company's website as soon as practical after the annual general meeting.

Section 172 Statement

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarized as follows:

"A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the company's employees;

(c) the need to foster the company's business relationships with suppliers, customers and others;

(d) the impact of the company's operations on the community and the environment;

(e) the desirability of the company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between stakeholders of the Company"

As part of their induction, all Directors are briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. The Directors fulfill their duties partly through a governance framework that delegates day-to-day decision-making to employees of the Company and details of this can be found in our Governance Report on pages from 43 to 46.

The following paragraphs summarise how the Directors fulfill their duties:

Risk Management

We provide financial services to our clients, often in competitive and highly regulated environment. As we grow and develop financial technologies, our risk environment also become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

For details of our principal risks and uncertainties and how we manage our risk environment, please see pages 27 to 30.

Our People

Our Company is committed to being a responsible business. Our behavior is aligned with the expectations of our people, clients, investors, communities and society as a whole. Client-facing employees are at the heart of our services. For our business to succeed we need to manage our people's performance and develop talent while ensuring we operate as efficiently as possible. For that we have developed regular training programs for our employees. We must also ensure we share common values that inform and guide our behavior so we achieve our goals in the right way.

For further details on our people, please see page 45.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognize the importance of continuing effective dialogue. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered. Our board members, especially Siro Donato Cicconi, hold a series of shareholders meetings several times a year on the back of financial and operational reporting.

For further details on how we engage with our shareholders please see page 46.

Community and Environment

The Company's approach is to use our strengths to create positive change for the people and communities with which we interact. We are providing financial inclusion solutions for people overlooked by traditional banking sector. We want to leverage our expertise and enable colleagues to support the communities around us.

For further details on how we interact with communities and the environment, please see page 31.

Directors' Responsibilities Statement

For the year ended 31 December 2020

The Directors are responsible for preparing the Strategic Report, the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors elected to prepare the Group's and the Company's Financial Statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. The Directors are also required to prepare Financial Statements in accordance with the rules of the London Stock Exchange.

In preparing these Financial Statements, the Directors are required to:

> Select suitable accounting policies and then apply them consistently;

> Make judgments and accounting estimates that are reasonable and prudent;

> State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and

> Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

> The Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

> The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face; and

> The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Responsibility Statement was approved by the Board of Directors on 29 April 2021 and is signed on its behalf by:

SIMON RETTER
Company Secretary

29 April 2021

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FINANCIAL STATEMENTS

CONTENTS

Independent Auditor's Report to the Shareholders of Zaim Credit Systems plc

Opinion

We have audited the financial statements of Zaim Credit Systems plc (the 'parent company)' and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

> the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;

> the group and the parent company financial statements have been properly prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included carrying out a risk assessment which covered the nature of the group, its business model and related risks including where relevant the impact of Coronavirus, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's or group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance on our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Our response and observation
Impact of COVID-19 There is a risk that the group may not be considered a going concern as a result of the impact of COVID-19 (Coronavirus).	We read the Directors' assessment of the risks and impacts of COVID-19 on the business. We compared this assessment to our own understanding of the risks, and the nature of the group's operations, products and customer base. We then conducted a review of going concern in respect of COVID-19 which included reviewing forecasts and current trading performance, and carrying out stress testing. The work undertaken considered a period of at least twelve months from the date of approving these financial statements.	The disclosures in the financial statements adequately reflect the Directors' conclusions around the uncertainties and impact of COVID-19 and, that the going concern assumption remains appropriate.
Recoverability of loans to customers Given the extended credit terms that were provided to customers, judgement is required to establish how much of the loan receivables balance is recoverable. There is a risk that management's judgements and estimates over recoverability are inappropriate, when considering the specific balances and the requirements of IFRS 9.	We understood the group's process for estimating the expected credit loss provision under IFRS 9. Loans to customers were tested on a sample basis which included considering the recoverability of the balances post year end. Overdue balances were discussed with management and we assessed whether the accounting provision appropriately reflects the facts and circumstances.	We did not identify any evidence of material misstatement related to carrying value of receivables. Management continue to apply an appropriate expected credit loss provision.
Risk of fraud in revenue recognition There is a risk that revenue is materially understated due to fraud.	We reviewed the group's revenue recognition policies and how they are applied. Revenue was then tested on a sample basis to confirm that transactions have been appropriately recorded in line with IFRS 15.	Revenue was recognised in accordance with the group's accounting policy and we concluded that no evidence of fraud or other understatement was identified.
Risk that management is able to override controls Journals can be posted that significantly alter the financial statements.	We examined journals posted around the year end, specifically focusing on areas which are more easily manipulated.	We identified no evidence of management override in respect of inappropriate manual journals recorded in any section of the financial statements.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be charged or influenced. We use materiality both in planning and in the scope of our audit work and in evaluating the results of our work.

We determine materiality for the group and the parent company to be £96,983 and this financial benchmark, which has been used throughout the audit, was determined by way of a standard formula being applied to key financial results and balances presented in the financial statements. Where considered relevant the materiality is adjusted to suit the specific risk profile of the group.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality for both the group and the parent company was set at 75% of the above materiality levels, which equates to £72,737. We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £4,849. We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

Whilst Zaim Credit Systems plc is a company registered in England & Wales and its head office is located in the UK, the group's principal operations are located in Russia. In approaching the audit, we considered how the group is organised and managed. We assessed the activities of the group as being the issuance of microfinance loans to Russian individuals.

Our group audit scope focused on the group's principal operating subsidiary, being Zaim Express LLC, which was subject to a full scope audit together with the parent company. Shipleys LLP performed the audit of the parent company and BDO Unicon Aktsionernoe Obshchevstvo performed the audit of the Russian component.

The group audit team was actively involved in the direction of the audit and specific audit procedures performed by the component auditor along with the consideration of findings and determination of conclusions drawn. As part of our audit strategy, we issued group audit engagement instructions and discussed the instructions with the component auditor. A senior member of the group audit team met with the component auditor and local management performed a review of the component audit files and we discussed the audit findings with the component auditor.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

> **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the groups' position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

> **Audit committee reporting** - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

We have nothing to report in respect of these matters.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

> the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

> the strategic report and the directors' report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent company financial statements and the part

of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

> certain disclosures of directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 48 , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Our approach was as follows:

> We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined the most significant are those that relate to the reporting framework (IFRS, the Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the group operates.

> We understood how Zaim Credit Systems plc is complying with those frameworks by making enquiries on management, the Company Secretary, and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee, discussion with the Audit Committee and any correspondence received from regulatory bodies.

> We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by enquiring with management and the Audit Committee during the planning and execution phase of our audit. We considered the programs and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk including revenue recognition as discussed above. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

> Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of the Company Secretary and management; and focused testing, as referred to in the key audit matters section above.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were initially appointed by the board on 23 October 2019 to audit the financial statements for the period ending 31 December 2018. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2018 to 31 December 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BENJAMIN BIDNELL

For and on behalf of SHIPLEYS LLP, Chartered Accountants and Statutory Auditor
10 Orange Street, Haymarket, London, WC2H 7DQ

29 April 2021

Consolidated Statement of Financial Position as at 31 December 2020
(in British pounds sterling)
Company Registered number 11418575

	Note	2020	2019
Assets			
Cash and cash equivalents	5	640,871	1,582,751
Loans to customers	6	1,269,313	786,346
Property and equipment		5,677	11,967
Right-of- use assets under lease agreements	7	297,925	2,549,233
Other assets	8	251,297	222,117
Total assets		**2,465,083**	**5,152,414**
Liabilities			
Loans received	9	735,646	742,603
Lease liabilities	7	347,216	2,555,648
Other liabilities	10	823,830	664,905
Total liabilities		**1,906,692**	**3,963,156**
Equity			
Charter capital	11	4,369,750	4,369,750
Shares to be issued Reserve	26	800,000	-
Additional capital	11,25	6,078,128	6,078,128
Foreign currency translation reserve	11	4,390,225	4,457,788
Merger reserve	11, 26	22,964,800	23,764,800
Share options reserve	11	218,099	166,883
Accumulated deficit	11	(38,262,611)	(37,648,092)
Total equity		**558,391**	**1,189,258**
Total liabilities and equity		**2,465,083**	**5,152,414**

SIRO DONATO CICCONI, Chief Executive Officer
SIMON JAMES RETTER, Finance Director

29 April 2021

Company Statement of Financial Position as at 31 December 2020 (in British pounds sterling)
Company Registered number 11418575

	Note	2020	2019
Assets			
Cash and cash equivalents	5	161,163	1,310,655
Other assets	8	126,477	68,122
Investment in Subsidiary	1	10,096,089	8,705,663
Total assets		**10,383,729**	**10,084,440**
Liabilities			
Other liabilities	10	186,739	162,666
Total liabilities		**186,739**	**162,666**
Equity			
Charter capital	11	4,369,750	4,369,750
Shares to be issued Reserve	26	800,000	
Additional capital	11	6,078,128	6,078,128
Share options reserve	12	218,099	166,883
Accumulated deficit		(1,268,987)	(692,987)
Total equity		**10,196,990**	**9,921,774**
Total liabilities and equity		**10,383,729**	**10,084,440**

The above Company Statement of Financial Position should be read in conjunction with the accompanying notes, the loss for the period was £ 576,000 (2019:£ 626,317). As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Parent Company is not presented as part of these Financial Statements.

The Financial Statements were authorised for issue by the Board of Directors on 7 April 2021 and were signed ON ITS BEHALF

SIRO DONATO CICCONI, Chief Executive Officer

SIMON JAMES RETTER, Finance Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2020 (in British pounds sterling)

	Note	2020	2019
Interest income	13	4,857,496	3,940,747
Interest expenses		(12,835)	(28,018)
Interest expense – lease liabilities	13	(92,442)	(243,281)
Net interest income		**4,752,218**	**3,669,448**
Allowance for ECL/impairment of loans to customers	6,8,15	(1,790,718)	(231,681)
Net interest income after allowance for ECL/impairment of loans to customers		**2,961,501**	**3,437,767**
Gains less losses from dealing in foreign currency	14	(189,127)	95,497
Other operating income	16	590,502	790,554
Operating income		**3,362,875**	**4,323,818**
Staff costs	17	(1,810,443)	(2,006,265)
Charge for share based options	12	(51,216)	(166,883)
Operating expenses	18	(2,115,735)	(2,523,112)
Costs of IPO	18	-	(369,146)
Deemed cost of listing	26	-	(150,000)
Loss before income tax		**(614,519)**	**(891,589)**
Income tax expense	19	-	-
Net loss		**(614,519)**	**(891,589)**
Net other comprehensive income that may be reclassified to profit or loss			
Foreign exchange differences arising on translation into presentation currency		(67,563)	(39,942)
Total comprehensive expense		**(682,083)**	**(931,531)**
Earnings per share	11		
Basic, loss for the year attributable to ordinary equity holders of the parent		0.14p	0.77p
Diluted, loss for the year attributable to ordinary equity holders of the parent		0.14p	0.77p

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020 (in British pounds sterling)

	Charter capital	Shares to be issued Reserve	Additional capital	Foreign currency translation reserve (FCTR)	Merger reserve	Share options reserve	Accumulated deficit	Total equity
Balance at 31 December 2018	**2,492,363**	**-**	**29,122,880**	**4,497,731**	**-**	**-**	**(36,689,833)**	**(576,859)**
Reverse acquisition in 2019	1,877,387	-	(23,044,752)	-	23,764,800	-	(66,670)	2,530,765
Comprehensive loss for 2019	-	-	-	(39,942)	-	-	(891,589)	(931,531)
Share-based payments	-	-	-	-	-	166,883	-	166,883
Balance at 31 December 2019	**4,369,750**	**-**	**6,078,128**	**4,457,788**	**23,764,800**	**166,883**	**(37,648,092)**	**1,189,258**
Comprehensive loss for 2020	-	-	-	(67,563)	-	-	(614,519)	(682,083)
Contingent consideration	-	800,000	-	-	(800,000)	-	-	-
Share-based payments	-	-	-	-	-	51,216	-	51,216
Balance at 31 December 2020	**4,369,750**	**800,000**	**6,078,128**	**4,390,225**	**22,964,800**	**218,099**	**(38,262,611)**	**558,391**

Company Statement of Changes in Equity for the Year Ended 31 December 2020 (in British pounds sterling)

	Charter capital	Shares to be issued Reserve	Additional capital	Accumulated deficit	Share options reserve	Total equity
Balance at 31 December 2018	**60,000**	**-**	**-**	**(66,670)**	**-**	**(6,670)**
Issue during the year	4,309,750	-	6,406,699	-	-	10,716,449
Expenses on issue of shares	-	-	(328,570)	-	-	(328,570)
Comprehensive loss for 2019	-	-	-	(626,317)	-	(626,317)
Share-based payments	-	-	-	-	166,883	166,883
Balance at 31 December 2019	**4,369,750**	-	**6,078,128**	**(692,987)**	166,883	**9,921,774**
Comprehensive loss for 2020	-	-	-	(576,000)	-	(576,000)
Contingent consideration	-	800,000	-	-	-	800,000
Share-based payments	-	-	-	-	51,216	51,216
Balance at 31 December 2020	**4,369,750**	**800,000**	**6,078,128**	**(1,268,987)**	**218,099**	**10,196,990**

Consolidated Statement of Cash Flows for the year ended 31 December 2020 (in British pounds sterling)

	2020	2019
Cash flows from operating activities		
Interest received	4,219,635	2,332,339
Interest paid	(105,273)	(400,142)
Gains less losses from dealing in foreign currency	(7,460)	(9,448)
Other operating income	559,981	198,600
Staff costs	(1,854,393)	(2,005,236)
Operating expenses	(1,226,365)	(1,440,487)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	**1,586,125**	**(1,324,373)**

	2020	2019
Net (increase)/decrease in operating assets		
Loans to customers	(1,848,483)	1,259,013
Other assets	(109,063)	4,126
Net decrease in operating liabilities		
Other liabilities	57,357	162,957
Net cash flows from operating activities	**(314,064)**	**101,723**
Cash flows from investing activities		
Purchases of property and equipment	-	(2,130)
Net cash flows from investing activities	**-**	**(2,130)**
Cash flows from financing activities		
Repayment of lease liabilities	(536,120)	(1,389,284)
Loans received	259,266	653,530
Repayment of loans received	(259,266)	(653,530)
Issue of ordinary shares (including share premium)	-	2,716,449
Share issue costs	-	(328,570)
Net cash flows from financing activities	**(536,120)**	**998,594**
Effect of exchange rate changes on cash and cash equivalents	(91,696)	30,015
Net change in cash and cash equivalents	(941,880)	1,128,202
Cash and cash equivalents at the beginning of the year	1,582,751	454,549
Cash and cash equivalents at the end of the year (Note 5)	**640,871**	**1,582,751**

Company Statement of Cash Flows for the year ended 31 December 2020 (in British pounds sterling)

	2020	2019
Cash flows from operating activities		
Loss for the period	(576,000)	(626,317)
Correction for non-cash transaction (charge for share options granted)	51,216	166,883
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	**(524,784)**	**(459,433)**
Adjustments for		
Increase in trade and other receivables, VAT	(58,355)	(8,122)
Increase in trade and other payables	24,073	95,995
Cash generated from operations	**(559,066)**	**(371,560)**
Net cash flows used in operating activities	(559,066)	(371,560)
Cash flows from investing activities		
Investment in Subsidiary	(590,426)	(705,663)
Net cash flows from investing activities	**(590,426)**	**(705,663)**
Cash flows from financing activities		
Issue of ordinary shares (including share premium)	-	2,716,449
Share issue costs	-	(328,570)
Net cash flows from financing activities	**-**	**2,387,878**
Net change in cash and cash equivalents	**(1,149,492)**	**1,310,655**
Cash and cash equivalents at the beginning of the year	1,310,655	-
Cash and cash equivalents at the end of the year (Note 5)	**161,163**	**1,310,655**

Notes to the financial statements for the year ended 31 December 2020

1. Principal Activities of the Group

The principal activity of Zaim Credit Systems plc ("the Company") and its subsidiary Zaim-Express, LLC (together "the Group") is the 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 the main function of the Company is to provide holding company services and undertake management of their listed activities on the stock exchange. These business combinations 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 31.12.2020	The share votes of the Company 31.12.2019
Zaim-Express LLC	Russia	100%	100%

The Subsidiary's principal activity is the issuance of microloans through its network of branches in Russian cities (mainly – in Moscow and Moscow region, 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, by groups	2020	2019
Central office	47	42
Call center	22	23
Other spesialists	143	208
Total average number of employees	**212**	**273**

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

The average number of parent Company's employees	2020	2019
Directors	5	3

As at 31 December 2020, the main shareholder of the Company is Zaim Holdings SA (with a 73.23% equity holding; 31 December 2019 - with a 73.23% equity holding).

The ultimate controlling party of the Group is an individual - Mr. Siro Donato Cicconi (Director).

2. Operating Environment of the Group

General

The economy of the Russian Federation continues to demonstrate certain characteristics of an emerging market. They include, in particular, inconvertibility of the Russian rouble in most countries outside of Russia and relatively high inflation. The current Russian tax, currency and customs legislation is subject to various interpretations and frequent changes. The country's economy depends on oil and gas prices. Russia continues to develop the legal, tax and administrative infrastructure to meet the market economy requirements. The economic reforms implemented by the government are aimed at modernization of the Russian economy, development of high-tech production, improvement of labour productivity and competitiveness of the Russian products on the global market.

Due to the consequences of the coronavirus pandemic in 2020, Russia faced the forced introduction of quarantine measures, the closure of enterprises and borders, and a sharp collapse in oil prices. At the same time, the economic downturn was not so large-scale as in a number of other states. Experts believe that this is primarily the result of timely state support measures for businesses and the population. In addition, 2020 saw the Central Bank rate plunge to a record-low, significant fluctuations in exchange rates and surging demand in the real estate market. The collapse in oil prices that occurred in the spring had a negative impact on national budget revenues and the dynamics of the national currency. At the same time, the pandemic did not result in any fundamental adverse changes in the Russian economy.

In the second half of 2020, as the restrictive measures imposed due to the pandemic were lifted and economic activity recovered, the consumer credit market experienced an upturn, and microfinance volumes returned to the levels of the start of the year. Most of the MFI offices that were closed in the spring have resumed their work. In the context of restrictive measures that were introduced in April-May 2020 due to the deterioration of the pandemic situation, online sales channels and customer interaction began to play a special role in ensuring the continuity of MFI activities. Remote service channels will remain relevant in the future due to the pandemic and the continuing measures of social distancing. An accelerated transition to online service may have a long-term effect and promote faster implementation of remote service channels.

In general, the global and Russian economies are in the state of high uncertainty due to new lockdowns, but governments, central banks and businesses have already gained useful experience in dealing with the pandemic. The results of economic development in the 3rd and 4th quarters of 2020 in Russia and other countries showed potential for rapid recovery in the case of a declining epidemic threat. The financial system has demonstrated a fairly high degree of sustainability. According to the Central Bank of Russia, in the future, the risks associated with the solvency of the corporate sector will gradually become the highest on the agenda.

During the quarantine period, the Group changed its business model to one of remote lending via the Internet. All operations necessary for the performance of this activity were carried out by the employees remotely, which allowed the Group to maintain regularity and continuity of business processes. Based on the analysis conducted, the Group's management believes that the expected recession will not have any significant negative impact on the Group's financial performance in the short term. The management of the Group believes it is taking all the necessary measures to support the sustainability and further development of the Group's business operations in these circumstances.

As at 31 December 2020, the CBR's key rate was 4.25% (31 December 2019: 6.25%).

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.

Inflation

The Russian economy experiences relatively high levels of inflation. The inflation indices for the last five years are given in the table below:

The year ended	Inflation for the period
31 December 2020	4.9%
31 December 2019	3.0%
31 December 2018	4.3%
31 December 2017	2.1%
31 December 2016	5.4%

Foreign exchange transactions

Foreign currencies, especially the US Dollar, Euro, and British pound sterling play a significant role in determining economic parameters of many economic transactions carried out in Russia. The table below shows the CBR exchange rates of RUB relative to USD and EUR:

Date	USD	EUR	GBP
31 December 2020	73.8757	90.6824	100.0425
31 December 2019	61.9057	69.3406	81.146
31 December 2018	69.4706	79.4605	88.2832
31 December 2017	57.6002	68.8668	77.6739
31 December 2016	60.6569	63.8111	74.5595

Management takes all necessary measures to ensure the sustainability of the Group's operations. However, the future impact of the current economic situation is difficult to predict and management's current expectations and estimates may differ from actual results.

For the purpose of estimating expected credit losses, the Group uses forward-looking information, including projections of macroeconomic variables. The Group takes these forecasts into account when providing its best estimate of outcomes. However, as with any economic forecast, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 6 provides additional information on how the Group incorporates forward-looking information in its expected credit loss models.

Functional and presentation currency

The functional currency is the currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for goods and services are denominated and settled) and which mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled). The Group's functional currency is the Russian rouble.

The presentation currency is the currency in which financial statements are presented.

The consolidated financial statements are presented in British pounds sterling. The reasons why the functional currency differs from the presentation currency are the consolidation of Subsidiary's financial statements with the parent Company accounts which have been presented in GBP and investors' interests.

3. Basis of Presentation

General principles

These consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs). The Group maintains its records in compliance with the applicable legislation of the United Kingdom. These financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRSs.

Going concern

These consolidated financial statements reflect the Group management's current assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the RF Government and other factors, including regulatory and political developments which are beyond the Group's control. The Group's management cannot predict what impact these factors will have on the Group's financial position in future. As a result, adjustments related to this risk have not been included in the accompanying financial statements.

As at 31 December 2020, the Group has an accumulated deficit of GBP 38,262,611 (2019: GBP 37,648,092), and incurred a net loss of GBP 614,519 during the year ended 31 December 2020 (2019: GBP 891,589).

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages [4] and Chief Executive Review on page [6]. In addition note 3 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

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 is planning to optimize 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. Despite temporary suspension of judicial and enforcement proceedings during the COVID-19 pandemic, the proceeds from the loans of Stage 3 in 2020 increased by 87% compared to 2019.

The CBR sets the minimum mandatory liquidity ratio at over 70%. The Subsidiary meets the mandatory liquidity ratio: as at 31 December 2020 - 153.74% (unaudited) and as at 31 December 2019 – 132.89% (unaudited).

As a result of considerations noted above, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

Basis of consolidation and business acquisitions

On 18 September 2019 Company acquired the entire issued share capital of Zaim-Express (LLC) by way of a share for share exchange. The transaction was treated as a reverse acquisition and was accounted for using the merger accounting method as the entities were under common control before and after the acquisition.

A Subsidiary is an entity controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

> The contractual arrangement with the other vote holders of the investee.

> Rights arising from other contractual arrangements.

> The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Other than for the acquisition of the Subsidiary as noted above, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair values as of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at the acquisition date. Acquisition-related costs are expensed as incurred unless they result from the issuance of shares, in which case they are offset against the premium on those shares within equity.

If an acquisition is achieved in stages, the acquisition date carrying the value of the acquirer's previously held equity interest in the acquiree is remeasured to its fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the fair value as at the Group is recognised at at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IFRS9 either in profit or loss or as a change in other comprehensive income. The unwinding of the discount on contingent consideration liabilities is recognised as a finance charge within profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred and the fair value as at the acquisition date of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment.

Subsidiaries and Acquisitions

The consolidated financial statements incorporate the financial statements of the the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised where an investor is expected, or has rights, to variable returns from its investment with the investee, and has the ability to affect these returns through its power over the investee. Based on the circumstances of the acquisition an assessment will be made as to whether the acquisition represents an acquisition of an asset or the acquisition of business. In the event of a business acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as a "fair value" adjustment.

If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. In the event of an asset acquisition assets and liabilities are assigned a carrying amount based on relative fair value.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Contingent consideration as a result of business acquisitions is included in the cost at its acquisition date assessed value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit and loss

Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities in the next financial year. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities in the next financial year include:

Fair value of financial instruments. Information on the fair value of financial instruments measured on the basis of assumptions that use observable market prices is disclosed in Note 23.

ECL measurement. Calculation and measurement of ECLs is an area of significant judgement, and involves methodology, models and data inputs. The methodology used by the Group for assessment of expected credit losses is disclosed in Note 6. The following components of ECL calculation have a major impact on the allowance for ECLs: default definition, significant increase in credit risk (SICR), probability of default (PD), exposure at default (EAD), loss given default (LGD), macro-models and scenario analysis for impaired loans. The Group regularly reviews and validates models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Significant increase in credit risk (SICR). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the expected life of a financial instrument at the reporting date with the risk of default at the date of initial recognition. IFRS 9 requires an assessment of relative increases in credit risk rather than the identification of a specific level of credit risk at the reporting date. In this assessment, the Group considers a range of indicators, including behavioural indicators based on historical information as well as reasonable and supportable forward-looking information available without undue cost and effort. The most significant judgments include identifying behavioural indicators of increases in credit risk prior to default and incorporating appropriate forward-looking information into the assessment, either at an individual instrument, or on a portfolio level.

Due to the coronavirus pandemic, the Group updated the prospective information used in the models intended for the assessment of expected credit losses and reassessed the Probability of default during the 12 months for adequate reflection of the uncertainties caused by the decrease in market prices and the spread of the COVID-19 pandemic, taking into account:

> GDP drop and decline in income of individuals due to restricted economic activity;

> state support measures;

> real wage level;

> real disposable income of the population.

Determining business model and applying SPPI test. In determining the appropriate measurement category for debt financial instruments, the Group applies two approaches: a business model assessment for managing the assets and the SPPI test based on contractual cash flow characteristics on initial recognition to determine whether they are solely payments of principal and interest. The business model assessment is performed at a certain level of aggregation, and the Group will need to apply judgement to determine the level at which the business model condition is applied.

The assessment of the SPPI criterion performed on initial recognition of financial assets involves the use of significant estimates in quantitative testing and requires considerable judgement in determining whether quantitative testing is required, what scenarios are reasonably possible and should be considered and in interpreting the outcomes of quantitative testing (i.e. determining what represents a significant difference in cash flows).

Substantial modification of financial assets. When the contractual terms of financial assets are modified (e.g. renegotiated), the Group assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors described in the relevant accounting policy and requires significant judgment.

Recognition of a deferred tax asset. The recognised deferred tax asset represents the amount of income tax that can be offset against future income taxes and is recognised in the statement of financial position. A deferred tax asset is recognized only to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium-term forecasts prepared by management.

Changes in accounting policies

The revised standards presented below became mandatory for the Group since 1 January 2020, but had no material impact on the Group:

For the reporting periods beginning on or after 1 January 2020, the amendments to the standards presented below shall be effective:

> Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

> Amendments to IFRS 3 Business Combinations – Definition of a Business;

> Amendments to References to the Conceptual Framework in IFRS Standards;

> Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" (issued on 26 September 2019) that provide temporary relief from specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

The above amendments to the standards had no material impact on the financial statements.

The IASB issued a number of standards and amendments to them that will become effective in the next reporting periods and will not be early applied by the Group. The most significant ones are as follows:

> Amendments to IFRS 16 Leases – COVID-19-related Rent Concessions (effective for annual periods beginning on or after 1 June 2020);
> Interest Rate Benchmark Reform and its Effects on Financial Reporting – Phase 2 (effective on 1 January 2021);
> Annual Improvements to IFRSs - 2018-2020 cycle of amendments (effective on 1 January 2022);
> Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (effective on 1 January 2022);
> Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (effective on 1 January 2022);
> IFRS 17 Insurance Contracts (effective on 1 January 2023);
> Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Classification of Liabilities as Current or Non-Current (effective on 1 January 2023);

Unless otherwise described above, the new standards and interpretations are not expected to significantly impact the Group's financial statements.

4. Summary of Significant Accounting Policies

Fair value measurement

The fair value is the price that would be received when selling an asset, or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which a fair value is recognised or disclosed are categorised within the fair value hierarchy, described as below, based on the lowest level input that is significant to the fair value measurement as a whole:

> Level 1 – quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;
> Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
> Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are remeasured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between the Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained below (Note 23).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts and deposits with banks with original maturity of three months or less. Cash and cash equivalents are stated at amortised cost in the statement of financial position.

Financial instruments

Key measurement terms

Depending on their classification, financial instruments are carried at fair value or amortised cost, as described below.

Fair value is the price that would be received when selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Fair value is the current bid price for financial assets or current ask price for financial liabilities.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset, before adjusting for any expected credit loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating or recognising the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument, the Group shall use the contractual cash flows over the full contractual term of the financial instrument.

Initial recognition of financial instruments

The Group recognises financial assets and financial liabilities in its statement of financial position when it becomes a party to the contractual obligations of the respective financial instrument. The regular way the purchase and sale of the financial assets and liabilities is recognised is by using settlement date accounting.

Classification and measurement of financial instruments

The Group classifies financial assets into the following categories:
> financial assets at fair value through profit or loss;
> financial assets at fair value through other comprehensive income;
> financial assets measured at amortised cost.

Classification and subsequent measurement of debt financial assets depends on:

1) the business model used by the Group to manage the asset; and

2) characteristics of cash flows on the asset.

The business model is determined for a group of assets (on a portfolio basis) based on all relevant evidence of activities that the Group intends to undertake to achieve the objective set out for the portfolio available as at the measurement date.

Loans to customers meeting the SPPI criterion are held for the purpose of collecting contractual cash flows and are carried at amortised cost.

Reclassifications

Financial assets are not reclassified after initial recognition unless the Group has changed its business model for managing financial assets.

Financial liabilities are not reclassified after initial recognition.

Derecognition

A financial asset is derecognised where:
> the rights to receive cash flows from the asset have expired;
> the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party;
> the Group either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset. If the transferee has no practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the transfer, the entity has retained control.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Loans to customers

Based on cash flow characteristics, the Group classifies loans and advances to customers into the measurement category:

1. at amortised cost: loans held to collect contractual cash flows, if these cash flows are SPPI and are not classified at fair value through profit or loss, are measured at amortised cost;

Loans to customers are recorded when cash is advanced to borrowers. Impairment of loans at amortised cost or at FVOCI is assessed using a forward-looking ECL model. The Group does not acquire loans from third parties.

Impairment of financial assets: ECL allowance

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at amortised cost and FVOCI and for the exposures arising from credit related commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowances at each reporting date. The measurement of ECL reflects:

I. an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
II. time value of money, and
III. all reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Debt instruments measured at amortised cost are presented in the statement of financial position net of the ECL allowance.

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition, in accordance with IFRS 9.

I. A financial instrument that is not credit-impaired on initial recognition is classified into Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months (12m ECL).
II. If the Group identifies a significant increase in credit risk (SICR) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on a lifetime basis (lifetime ECL). Refer to Note 3 for a description of how the Group determines when a SICR has occurred.
III. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL. Assets that are more than 60 days past due are considered to be defaulted.

For financial assets that are purchased or originated credit-impaired (POCI assets), the ECL is always measured as a lifetime ECL.

Note 6 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Modification of financial assets

Sometimes the Group reviews or otherwise modifies the contractual terms of financial assets. The Group estimates that the modification of contractual cash flows is significant taking into account, among other factors: the existence of new contractual terms that indicate a significant change in interest rates, which have a significant effect on the credit risk associated with the asset, a significant extension of the loan term in cases where the borrower is in financial difficulty.

If the modified terms significantly differ so that the rights to cash flows from the original asset are deemed expired, the Group derecognizes the original financial asset and recognizes the new asset at fair value. The date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes, including determination of whether credit risk has increased significantly. The Group also evaluates the compliance of the new loan with the criterion of making payments solely against principal and interest. In situations where the renegotiation was caused by the debtor's financial difficulties and inability to make the originally agreed payments, the Group assesses whether the modified loan is considered impaired on initial recognition. The difference in the carrying amount is recognised in profit or loss.

If the conditions of the modified asset do not differ significantly, the modification does not result in derecognition. The Group restates its gross carrying amount based on revised cash flows by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) and recognises a gain or loss on modification in profit or loss.

Loans received

Loans received include loans received from the participant and are carried at amortised cost.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment allowance.

At the end of the reporting period the Group assesses whether there is any an indication of impairment of property and equipment. If such an indication exists, the Group estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell or its value in use. Where the carrying amount of property and equipment is greater than their estimated recoverable amount, it is written down to their recoverable amount and the difference is charged as impairment loss to the statement of profit or loss and other comprehensive income.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and recorded as operating expenses in the statement of profit or loss and other comprehensive income.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income when the expense is incurred.

Depreciation

Depreciation of an asset begins when it is available for use. Depreciation is charged on a straight-line basis over the following useful lives of the assets:

> Equipment – 2- 7 years.

Lease

The Group classifies its lease agreements as finance or operating leases.

The right-of-use asset and the lease liability are recognized by the lessee at the lease commencement date.

The original cost of the right-of-use asset includes the following:

- the amount of the initial measurement of the lease liability;
- lease payments at or before the lease commencement date less any
- lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the lessee in dismantling, removing, restoring the site or restoring the underlying asset to the condition required by terms of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset shall be amortised on a straight-line basis over the shorter of the asset's useful life and the lease term.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments that have not yet been made at that date. Lease payments shall be discounted using the interest rate implicit in the lease if that rate can be easily determined. If such rate cannot be easily determined, the Group uses the incremental borrowing rate at the lease commencement date.

If finance lease agreements provide for lease extension options, the Group plans to use these options for 3 years.

At the lease commencement date, lease payments that are included in the measurement of the lease liability consist of the following payments for the right to use the underlying asset during the lease term that have not yet been made at the lease commencement date:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using an index or a rate as at the lease commencement date;
- the amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option that the lessee is reasonably certain to exercise; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After initial recognition, the right-of-use assets related to property, plant and equipment shall be measured by the Group using the historical cost model less accumulated depreciation and accumulated impairment losses.

A right-of-use asset shall be assessed for impairment at the end of each reporting year in accordance with IAS 36 Impairment of Assets.

After initial recognition, the lease liability shall be increased by the amount of accrued interest and decreased by the amount of lease payments paid.

The carrying amount of the lease liability shall be remeasured, if there is a change in future lease payments resulting from changes in an index or a rate, there is a change in the amounts expected to be payable under a residual value guarantee, or, as appropriate, there is a change in the assessment of whether it is reasonably certain that the purchase option or the lease extension option will be exercised, or that the lease termination option will not be exercised. The lease liability shall be remeasured to reflect changes in lease payments.

When determining the lease term, the following periods shall be considered, as well as the Group's management's assessment of the probability that lease extension options and lease termination options will be exercised:

- the non-cancellable period of lease not subject to early termination;
- periods covered by an extension option if exercise of that option by the lessee is reasonably certain;
- periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

As at the reporting date, right-of-use assets are disclosed in the "Right-of-use assets" line item of the statement of financial position. Lease liabilities are disclosed in the "Lease liabilities" line item of the statement of financial position. Finance costs are disclosed in the "Interest expense - lease liabilities" line item of the statement of profit or loss and other comprehensive income to provide a fixed periodic interest rate on the remaining lease liability for each period. Depreciation of right-of-use assets is disclosed in the "Operating expenses" line item in the statement of profit or loss and other comprehensive income. The cash outflow on the lease interest repaid is disclosed in the "Cash from operating activities" section of the statement of cash flows, and the amount of cash paid to repay the principal is disclosed in the "Cash from financing activities" section of the statement of cash flows.

Operating lease – the Group as lessee

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The underlying asset is classified as a low-value asset based on professional judgement.

Payments for short-term leases and low-value asset leases are recognised as expenses on a straight-line basis over the lease term and included into operating expenses in the statement of profit or loss and other comprehensive income. A short-term lease has a lease term of 12 months or less. Low-value assets represent leased property with the value not exceeding the value limit determined by the Group's accounting policy.

Lease payments under short-term leases or leases where the underlying asset is of low value are recognized as an expense over the lease term.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Taxation

The income tax charge/recovery comprises current tax and deferred tax and is recorded in the statement of profit or loss and other comprehensive income. Income tax expense is recorded in the financial statements in accordance with the applicable legislation of the Russian Federation. Current tax is calculated on the basis of the estimated taxable profit for the year, using the tax rates enacted during the reporting period.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current or prior periods. Tax amounts are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax losses carried forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial statement purposes.

Income and expense recognition

Interest income and expense are recorded in the statement of profit or loss and other comprehensive income for all debt instruments on an accrual basis using the effective interest method. The **effective interest method** is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The **effective interest rate** is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all commissions and fees paid or received by the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Employee benefits and social insurance contributions

The Group pays social insurance contributions predominantly in the Russian Federation. Social insurance contributions are recorded on an accrual basis and comprise contributions to the Russian Federation state pension, social insurance, and obligatory medical insurance funds in respect of the Group's employees. The Group does not have pension arrangements separate from the state pension system of the Russian Federation. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leaves and paid sick leaves, bonuses and non-monetary benefits are accrued as the Group's employees render the related service.

Foreign currency

(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 the 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.

5. Cash and Cash Equivalents

Group	2020	2019
Cash on hand	30,811	84,098
Accounts with other banks	610,060	1,498,653
Total cash and cash equivalents	**640,871**	**1,582,751**

Company	2020	2019
Cash on hand	-	-
Accounts with other banks	161,163	1,310,655
Total cash and cash equivalents	**161,163**	**1,310,655**

As at 31 December 2020, the Group has 2 counterparties (2019: 2 counterparties) with balances exceeding 10% of total cash and cash equivalents in the amount of GBP 524,431 (2019: GBP 1,310,655).

The table below presents the credit quality analysis of cash and cash equivalents based on credit risk levels as at 31 December 2020.

Group	Accounts with other banks	Total
Minimum credit risk	610,060	610,060
Total cash and cash equivalents, less cash on hand	**610,060**	**610,060**

Company	Accounts with other banks	Total
Minimum credit risk	161,163	161,163
Total cash and cash equivalents, less cash on hand	**161,163**	**161,163**

The table below presents the credit quality analysis of cash and cash equivalents based on credit risk levels as at 31 December 2019.

Group	Accounts with other RF banks	Total
Minimum credit risk	1,498,653	1,498,653
Total cash and cash equivalents, less cash on hand	1,498,653	1,498,653

Company	Accounts with other RF banks	Total
Minimum credit risk	1,310,655	1,310,655
Total cash and cash equivalents, less cash on hand	**1,310,655**	**1,310,655**

For the purpose of assessing expected credit losses, cash and cash equivalent balances are included in Stage 1. The expected credit losses on these balances represent insignificant amounts, therefore, the Group does not create an ECL allowance for cash and cash equivalents.

Below is the credit quality analysis of cash and cash equivalents as at 31 December 2020 in accordance with ratings of international agencies:

Group	Fitch A+	Fitch BB	S&P from BB- to BB+	No ratingassigned	Total
Accounts with other banks	54,936	-	-	555,124	610,060
Total	**54,936**	**-**	**-**	**555,124**	**610,060**

Company	Fitch A+	Fitch BB	S&P from BB- to BB+	No rating assigned	Total
Accounts with other banks	54,936	-	-	106,227	161,163
Total	**54,936**	**-**	**-**	**106,227**	**161,163**

Below is the credit quality analysis of cash and cash equivalents as at 31 December 2019 in accordance with ratings from international agencies:

Group	Fitch A+	Fitch BB	S&P from BB- to BB+	No rating assigned	Total
Accounts with other banks	528,551	782,104	93,047	94,951	1,498,653
Total	**528,551**	**782,104**	**93,047**	**94,951**	**1,498,653**

Company	Fitch A+	Fitch BB	S&P from BB- to BB+	No rating assigned	Total
Accounts with other banks	528,551	782,104	-	-	1,310,655
Total	**528,551**	**782,104**	**-**	**-**	**1,310,655**

6. Loans to Customers

Group	2020	2019
Loans to customers	28,298,290	32,078,150
Less: ECL allowance	(27,028,977)	(31,291,804)
Total loans to customers at amortised cost	**1,269,313**	**786,346**

Company	2020	2019
Loans to customers	-	-
Less: ECL allowance	-	-
Total loans to customers at amortised cost	**-**	**-**

Below is analysis of movements in the ECL allowance during 2020 (by type of loans specified in the first table of the Note):

Group	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2020	**128,028**	**288,985**	**30,874,790**	**31,291,804**
Assets recognised for the period	697,907	-	-	697,907
Assets derecognised or collected	(47 273)	(33,654)	(629,075)	(710,002)
Transfers to Stage 2	(189,937)	189,937	-	-
Transfers to Stage 3	(355,164)	(187,618)	542,782	-
Net loss on ECL allowance charge/(reversal)	-	414,887	1,377,954	1,792,841
Effect of exchange rate differences	(32,067)	(83,237)	(5,928,268)	(6,043,572)
ECL allowance as at 31 December 2020	**201,494**	**589,300**	**26,238,183**	**27,028,977**

Analysis of movements in the ECL allowance during 2019 is as follows:

Group	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	**139,800**	**424,712**	**27,982,210**	**28,546,722**
Assets recognised for the period	687,271	-	-	687,271
Assets derecognised or collected	(95,125)	(102,217)	(842,085)	(1,039,427)
Transfers to Stage 2	(206,503)	206,503	-	-
Transfers to Stage 3	(409,279)	(326,329)	735,608	-
Net loss on ECL allowance charge/(reversal)		52,065	530,141	582,206
Effect of exchange rate differences	11,864	34,252	2,468,916	2,515,032
ECL allowance as at 31 December 2019	**128,028**	**288,985**	**30,874,790**	**31,291,804**

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 inceases (or decreases) 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 the 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 the 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 31 December 2020:

Group	Stage 1	Stage 2	Stage 3	Total
Loans to customers				
Minimum credit risk	1,222,507	-	-	1,222,507
Low credit risk	-	177,117	-	177,117
Moderate credit risk	-	388,723	-	388,723
High credit risk	-	271,760	-	271,760
Defaulted assets	-	-	26,238,183	26,238,183
Total loans to customers before allowance	**1,222,507**	**837,600**	**26,238,183**	**28,298,290**
ECL allowance	**(201,494)**	**(589,300)**	**(26,238,183)**	**(27,028,977)**
Total loans to customers after ECL allowance	**1,021,012**	**248,300**	**-**	**1,269,313**

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

Group	Stage 1	Stage 2	Stage 3	Total
Loans to customers				
Minimum credit risk	568,567		-	568,567
Low credit risk	-	374,288	-	374,288
Moderate credit risk	-	164,962	-	164,962
High credit risk	-	95,507	-	95,507
Defaulted assets	-		30,874,826	30,874,826
Total loans to customers before allowance	**568,567**	**634,757**	**30,874,826**	**32,078,150**
ECL allowance	**(128,028)**	**(288,986)**	**(30,874,790)**	**(31,291,804)**
Total loans to customers after ECL allowance	**440,539**	**345,771**	**36**	**786,346**

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.

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.

7. 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.

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	**2,549,233**	**2,549,233**
Depreciation charge	(661,165)	(661,165)
Modifications and remeasurement	(248,309)	(248,309)
Derecognition	(1,003,208)	(1,003,208)
Effect of translation into presentation currency	**(338,626)**	**(338,626)**
As at 31 December 2020	**297,925**	**297,925**

Group	Real Estate	Total
As at 1 January 2019	**3,407,065**	**3,407,065**
Additions	112,021	112,021
Depreciation charge	(1,248,758)	(1,248,758)
Effect of translation into presentation currency	278,905	278,905
As at 31 December 2019	**2,549,233**	**2,549,233**

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

Group		
Lease liabilities	Real Estate	Total
As at 1 January 2020	**2,555,648**	**2,555,648**
Interest expense on lease liabilities	92,442	92,442
Lease payments	(628,563)	(628,563)
Modifications and remeasurement	(248,309)	(248,309)
Derecognition	(1,080,605)	(1,080,605)
Effect of translation into presentation currency	(343,397)	(343,397)
As at 31 December 2020	**347,216**	**347,216**

Group		
Lease liabilities	Real Estate	Total
As at 1 January 2019	**3,325,625**	**3,325,625**
Additions	108,875	108,875
Interest expense on lease liabilities	243,281	243,281
Lease payments	(1,395,580)	(1,395,580)
Effect of translation into presentation currency	273,447	273,447
As at 31 December 2019	**2,555,648**	**2,555,648**

The Group exercises options to extend signed lease agreements for at least 3 years given the ongoing profitability of the loan outlet (in the ordinary course of business). During the current period, the Group exercised lease termination options. There were no early termination penalties under these agreements.

8. Other Assets

Group	2020	2019
Other non-financial assets		
Lease prepayments	23,062	16,603
Settlements with suppliers	35,211	29,440
Taxes other than income tax	110,980	139,069
Other receivables	104,193	52,937
Less: impairment allowance	(22,149)	(15,932)
Total other non-financial assets	**251,297**	**222,117**
Total other assets	**251,297**	**222,117**

Company	2020	2019
Other non-financial assets		
Settlements with suppliers	-	-
Taxes other than income tax	80,732	68,122
Other receivables	45,745	-
Less: impairment allowance	-	-
Total other non-financial assets	**126,477**	**68,122**
Total other assets	**126,477**	**68,122**

Analysis of movements in the impairment allowance for non-financial assets during 2020 is presented below:

Group	Non-financial assets	Total
Impairment allowance for other assets as at 1 January 2020	**15,932**	**15,932**
Impairment allowance charge during 2020	9,972	9,972
Effect of translation into presentation currency	(3,754)	(3,754)
Impairment allowance for other assets as at 31 December 2020	**22,149**	**22,149**

Analysis of movements in the impairment allowance for non-financial assets during 2019 is presented below:

Group	Non-financial assets	Total
Impairment allowance for other assets as at 1 January 2019	**13,117**	**13,117**
Impairment allowance charge during 2019	1,631	1,631
Effect of translation into presentation currency	1,184	1,184
Impairment allowance for other assets as at 31 December 2019	**15,932**	**15,932**

The Group has no collateral for impaired assets recognised within other assets.

9. Loans Received

Group	2020	2019
Loan from related party	735,646	742,603
Total loans received	**735,646**	**742,603**

On 31 December 2020, the Group entered into an agreement amending the loan terms – coming into effect from January 2021, the interest rate on the above loan is set at 13.42 % per annum, and the loan repayment period is extended until 31 December 2023.

Company	2020	2019
Loan from related party	-	-
Total loans received	**-**	**-**

10. Other Liabilities

Group	2020	2019
Other financial liabilities		
Payables	326,692	200,618
Other settlements with customers on loan's agreements	200,019	97,322
Other	7,195	16,732
Other non-financial liabilities		
Taxes other than income tax	26,412	16,982
Provision for unused vacations	104,353	144,024
Payables to employees and payroll related taxes	159,159	189,227
Total other liabilities	**823,830**	**664,905**

Company	2020	2019
Other financial liabilities		
Payables	119,057	126,057
Other	27	27
Other non-financial liabilities		
Payables to employees and payroll related taxes	67,655	36,582
Total other liabilities	**186,739**	**162,666**

11. Charter and Additional Capital, Other reserves. Earnings per share

As at 31 December 2018 the Charter capital states the amount of Share capital of the Subsidiary - the authorized capital represents the contribution made by the sole participant of the Subsidiary.

During 2019 the reverse acquisition was stated in the consolidated financial statements, as a result, the Charter capital as at 31 December 2019 states the Share capital of the legal parent Company, totalling £ 4,369,750. All the shares issued have equal voting rights.

Below is a reconciliation of the movement in the legal parent Company Share capital during 2019:

Group and Company Issued and fully paid	31 Dec. 2018 Number	Amount, £
Ordinary shares of £0.01 each	6,000,000	60,000
	6,000,000	60,000

For the year 2019 (Ordinary shares issue of £0.01 each):

Group and Company	Number	Amount, £
Consideration shares (acquisition of Subsidiary)	320,000,000	3,200,000
IPO	104,000,000	1,040,000
Fee shares	6,975,000	69,750
	430,975,000	4,309,750

Group and Company Issued and fully paid	31 Dec. 2019 Number	Amount, £
Ordinary shares of £0.01 each	436,975,000	4,369,750
	436,975,000	4,369,750

There are no changes in the structure and amount of the share capital during 2020.

Group and Company Issued and fully paid	31 Dec. 2020 Number	Amount, £
Ordinary shares of £0.01 each	436,975,000	4,369,750
	436,975,000	4,369,750

As at 31 December 2018 the amount of Additional capital stated in the agreement on in-kind contribution (debt on the loan) of the Subsidiary was £ 29,122,880.

Amounts of Additional capital as at 31 December 2018 were restated as at the date of the agreement on in-kind contribution (debt on the loan).

Group			
Date of exchange rate for translation to presentation currency	Amount in RUB	Exchange rate	Amount in GBP
29.12.2018	2,561,820,344	87.9659	29,122,880
Total additional capital at 31 December, 2018			**29,122,880**

As a result of the reverse acquisition, which was stated in the consolidated financial statements in 2019, the Additional capital as at 31 December 2019 of the legal parent Company was £ 6,078,128.

Below there is reconciliation of movement in Additional capital (share premium) of legal parent Company during 2019:

For the year 2019:

Group and Company	Amount, £
As at 1 January 2019	-
Premium arising on issue of ordinary shares	6,406,699
Issue costs	(328,570)
As at 31 December 2019	**6,078,128**

There are no changes in the structure and amount of additional capital during 2020.

Group and Company	Amount, £
Share premium (with consideration of issue costs)	6,078,128
As at 31 December 2020	**6,078,128**

Other reserves

Group	Shares to be issued Reserve	Merger reserve	Share option reserve	Translation reserve
As at 1 January 2019	-	-	-	4,497,731
Merger reserve	-	23,764,800	-	-
Share based payments	-	-	166,883	-
Translation differences	-	-	-	(39,942)
As at 31 December 2019		**23,764,800**	**166,883**	**4,457,788**
Contingent consideration	800,000	-	-	-
Merger reserve	-	(800,000)	-	-
Share based payments	-	-	51,216	-
Translation differences	-	-	-	(67,563)
As at 31 December 2020	**800,000**	**22,964,800**	**218,099**	**4,390,225**

The merger and foreign currency translation reserve as at 31 December 2019 arose on consolidation as a result of merger accounting for the acquisition of the entire issued share capital of the Subsidiary during 2019 and represents the difference between the value of the share capital issued for the acquisition of the Subsidiary and investments made in the Subsidiary and that of the acquired share capital of the Subsidiary.

Share options reserve - this reserve represents cumulative share-based payment expense for the Group's share option schemes. See Note 12 Share-based payments.

Shares to be issued Reserve - this reserve represents shares to be issues in respect of contingent consideration, see note 26 Business Combination for further details.

Currency translation differences relate to the translation of the Subsidiary that have a functional currency different from the presentation currency (refer note 2). Movements in the translation reserve are linked to **the changes** in the value of the Russian Ruble against the Pound Sterling: the business of the Group is located in Russian Federation, and the Subsidiary's functional currency is the Russian Ruble, which has substantial volatility against Sterling during the year.

Accumulated deficit represents retained earnings.

Earnings per share. The basic loss per share of 0.14p loss per share (2019 loss per share: 0.77p) is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Group	2020	2019
Loss attributable to owners of the parent	(614,519)	(891,589)
Weighted average number of ordinary shares in issue	436,975,000	115,689,178

The basic and diluted loss per share for the years ended 31 December 2020 and 31 December 2019 are the same as the current year result was a loss, the options and warrants outstanding would be anti-dilutive. Therefore, the dilutive loss per share is considered the same the basic loss per shares.

Group	2020	2019
Loss attributable to owners of the parent	(614,519)	(891,589)
Weighted average number of ordinary shares in issue outstanding for the effects of all dilutive potential ordinary shares	436,975,000	115,689,178

12. Share-based payments

In October 2019, a total of 32,250,000 options were issued to certain directors, senior management and other advisers in recognition of the work undertaken for Zaim prior to the IPO. In addition the Company issued a total of 13,600,000 warrants to advisers in relation to the funds raised at the time of the IPO. All the options were issued with an exercise price of 2.5 pence per share and expire after 5 years from the date of issue. 17,200,000 of the options vest immediately and have no employment related conditions, the remaining 15,050,000 vest over 1-2 years from the date of issue and, should the individual end their employment, the options either expire immediately or are valid for a further 6 months (depending on the circumstances of the departure of the individual). All the warrants have a contractual term of 3 years from the date of issue and have no performance related terms attached and have a strike price of 2.5 pence per share.

In addition to the options noted above as set out in the prospectus at the time of the IPO the Directors have the discretion to issue a further 10,750,000 options to key employees and consultants of the Group as an incentivising tool to retain key individuals. As at the date of this report these have not been issued and have therefore not been included in the calculations. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

Movements on number of share options and their related exercise price are as follows:

Group	Number of options& warrants 2019	Weighted exercise price 2019, £
Outstanding at 1 January 2019	-	-
Granted	40,650,000	2.50
Forfeited	-	-
Outstanding at 31 December 2019	40,650,000	2.50
Exercisable at 31 December 2019	25,600,000	2.50

On 24 September, 2021 2,000,000 options were issued to Paul Auger a non-executive director of the company at a price of 2,7p. The options vest equally over one year from the date of grant and express after 5 years.

On 26 November, 2021 1,000,000 options were issued to an employee of the Group at a price of 2,7p. The options vest equally over 2 years from the date of the grant and express after 5 years.

Group	Number of options& warrants 2020	Weighted exercise price 2020, £
Outstanding at 1 January 2020	40,650,000	2.50
Granted	3,000,000	-
Forfeited	-	-
Outstanding at 31 December 2020	43,650,000	2.50
Exercisable at 31 December 2020	34,200,000	2.50

The options & warrants outstanding at 31 December 2020 had a weighted average remaining contractual life of 3.8 years.

The fair value of the share options and warrants was determined using the Black-Scholes valuation model.

The parameters used are detailed below.

For the year 2019:

Group and Company	2019 options
Date of Grant	29 Oct. 2019
Weighted average share price	2.50 pence
Weighted average exercise price	2.50 pence
Weighted average fair value at the measurement date	0.57 pence
Expiry date	29 Oct. 2024
Options granted	40,650,000
Volatility	20%
Dividend yield	Nil
Option life	5 year
Annual risk free interest rate	2.83%

For the year 2020:

Group and Company	2020 Options
Date of Grant	29 Oct. 2019
Weighted average share price	2.60 pence
Weighted average exercise price	2.70 pence
Weighted average fair value at the measurement date	0.78 pence
Expiry date	29 Oct. 2024
Options granted	40,650,000
Volatility	30%
Dividend yield	Nil
Option life	5 year
Annual risk free interest rate	2.83%

13. Interest Income and Expense

Group	2020	2019
Interest income		
Loans to customers	4,857,496	3,940,747
Total interest income	**4,857,496**	**3,940,747**
Interest expense		
Loans received	(12,836)	(28,018)
Lease liabilities	(92,442)	(243,281)
Total interest expense	**(105,277)**	**(271,299)**
Net interest income	**4,752,218**	**3,669,448**

14. Gains less Losses from Dealing in Foreign Currency

Group	2020	2019
Gain/loss on revaluation of financial assets and liabilities	(181,466)	102,327
Realised gain/ (loss) from foreign exchange transactions	(7,661)	(6,830)
Total gains less losses from dealing in foreign currency	**(189,127)**	**95,497**

15. Allowance for Expected Credit Losses / Impairment of Other Assets

Group	Note	2020	2019
Loans to customers	6	1,780,746	230,050
Other assets	8	9,972	1,631
Total allowance for expected credit losses / impairment of other assets		**1,790,718**	**231,681**

16. Other Operating Income

Group	2020	2019
Agent's fee	253,889	150,036
Fines received under loan agreements	158,322	34,846
Financial result from derecognition of lease assets and liabilities	126,091	-
Taxes other than income tax	-	591,965
Other income	52,200	13,707
Total other operating income	**590,502**	**790,554**

17. Staff Costs

Group	2020	2019
Salary	1,429,920	1,722,792
Payroll related taxes	380,523	283,473
Total staff costs	**1,810,443**	**2,006,265**

18. Operating Expenses

Group	2020	2019
Depreciation of right-of-use assets	661,165	1,248,759
State duty	283,523	23,036
Advertising and marketing	269,304	25,736
Investor Relations	181,456	-
Consulting services	209,828	851,223
Communication	98,172	87,83
Postal services	91,328	38,491
Banking services	87,558	43,246
Rental expenses	66,434	257,639
Material expenses	33,920	3,412
Security	22,023	42,594
Office equipment	-	17,274
Repairs	-	2,038
Representative and travel expenses	-	81,250
Other expenses	111,025	169,730
Total operating expenses	**2,115,735**	**2,892,258**

19. Income Tax

As at 31 December 2020 and 31 December 2019, the Group has no current income tax expense. The current income tax rate applicable to the majority of the Group's profit is 20% (2019: 20%).

A reconciliation between the theoretical and the actual taxation charge is provided below.

Group	2020	2019
IFRS loss before taxation	**(614,519)**	**(891,589)**
Theoretical tax charge at the applicable statutory rate	122,904	178,318
Non-deductible expenses and other differences	29,521	(19,132)
Unrecognised deferred tax asset	(152,425)	(159,186)
Income tax expense for the year	**-**	**-**

The Company has a potential deferred tax asset of £153,847 (2019: £56,987) as a result of trade losses to be offset against future profits, should they arise.

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial statement purposes and for the Group's income tax purposes.

Group	2019	Effect of exchange rate differences	Change recognised in profit and loss	2020
Tax effect of deductible temporary differences				
Loans to customers	91,779	(15,500)	(24,565)	51,714
Other assets	24,891	(3,749)	(12,752)	8,390
Intangible assets	-	(1,234)	16,521	15,287
Lease liabilities	511,130	(68,680)	(373,007)	69,443
Other liabilities	9,716	(1,199)	(8,517)	-
Tax loss	3,882,681	(734,761)	182,082	3,330,002
Deferred tax assets	**4,520,197**	**(825,123)**	**(220,238)**	**3,474,836**
Tax effect of taxable temporary differences				
Other liabilities	-	803	(10,745)	(9,942)
Property and equipment	(1,857)	287	871	(700)
Right-of-use assets under lease agreements	(509,846)	67,725	382,536	(59,585)
Gross deferred tax liabilities	**(511,703)**	**68,815**	**372,663**	**(70,227)**
Total net deferred tax asset	**4,008,494**	**(756,310)**	**152,425**	**3,404,608**
Unrecognised tax assets	**(4,008,494)**	**756,310**	**(152,425)**	**(3,404,608)**
Recognised tax liabilities		**-**	**-**	**-**

Group	2018	Change recognised in profit and loss	Effect of exchange rate differences	2019
Tax effect of deductible temporary differences				
Loans to customers	97,301	(13,827)	8,305	91,779
Other assets	42,397	(20,854)	3,348	24,891
Lease liabilities	-	501,961	9,169	511,130

Group	2018	Change recognised in profit and loss	Effect of exchange rate differences	2019
Other liabilities	54,654	(48,853)	3,915	9,716
Tax loss carried forward	3,342,776	241,480	298,425	3,882,681
Deferred tax assets	**3,537,128**	**659,907**	**323,162**	**4,520,197**
Tax effect of taxable temporary differences				
Property and equipment	(1,688)	(20)	(149)	(1,857)
Right-of-use assets under lease agreements	-	(500,701)	(9,145)	(509,846)
Gross deferred tax liabilities	**(1,688)**	**(500,721)**	**(9,294)**	**(511,703)**
Total net deferred tax asset	**3,535,440**	**159,186**	**313,868**	**4,008,494**
Unrecognised tax assets	**(3,535,440)**	**(159,186)**	**(313,868)**	**(4,008,494)**
Recognised tax liabilities	**-**	**-**	**-**	**-**

20. Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Group assumes a credit risk, namely the risk that a counterparty will fail to meet its debt obligations within the specified period. The Group has developed policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including requirements for establishment and monitoring of the loan portfolio concentration limits.

The credit policy establishes:

> procedures for review and approval of loan applications,

> methodology for assessment of the borrowers' solvency,

> credit documentation requirements,

> procedures for the ongoing monitoring of loans and other credit exposures.

The Group continuously monitors the status of individual loans and regularly reassesses the creditworthiness of its customers. The review is based on the most recent loan delinquency statistics.

The Group applies the expected credit loss model for the purpose of provisioning for financial debt instruments, the key principle of which is timely reflection of deterioration or improvement in the credit quality of debt financial instruments based on current and forward-looking information.

The amount of the the ECL recognised as a credit loss allowance depends on the extent of credit quality deterioration since initial recognition of a debt financial instrument.

Credit risk classification system. Each level of credit risk is assigned a certain degree of solvency, using a single scoring system:

> minimum credit risk – high credit quality with low expected credit risk, debt is not past due;

> low credit risk – sufficient credit quality with average credit risk, debt is prolonged and not past due;

> moderate credit risk – average credit quality with satisfactory credit risk, the debt is from 1 to 30 days past due;

> high credit risk – low credit quality with unsatisfactory credit risk, high probability of default, the debt is from 31 to 60 days past due;

> default – assets that meet the definition of default, the debt is more than 60 days past due.

Expected credit losses on financial assets that are not impaired are usually measured on the basis of default risk over one or two different time periods, depending on whether there has been a significant increase in the borrower's credit risk since initial recognition.

The Group performs collective assessment of loans to individuals. This approach provides for the aggregation of the portfolio into homogeneous segments based on specific information about borrowers, such as delinquent loans, historic data on prior period losses and forward-looking macroeconomic information.

Collective assessment principles: for assessing risk stages and estimating ECL on a collective basis, the Group combines its loans into segments based on shared credit risk characteristics, so that exposure within a grouping has a homogeneous pattern.

Market risk. The Group assumes a market risk. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rates, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the volatility levels of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk. Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The Group accepts the risk of effect of foreign currency exchange rate fluctuations on its financial position and cash flows. Currency risk arises when the existing or prospective assets in foreign currencies are greater or lower than the existing or prospective liabilities in the same currencies. The Group's management controls the exposure to currency risk on a regular basis.

The table below provides the analysis of the Group's currency risk as at 31 December 2020.

Group	RUB	GBP	EUR	Total
Assets				
Cash and cash equivalents	479,708	161,095	68	640,871
Loans to customers	1,269,313	-	-	1,269,313
Property and equipment	5,676	-	-	5,676
Right-of-use assets under lease agreements	297,925	-	-	297,925
Other assets	124,821	126,477	-	251,298
Total assets	**2,177,443**	**287,571**	**68**	**2,465,083**
Liabilities				
Loans received	-	-	735,646	735,646
Lease liabilities	347,216	-	-	347,216
Other liabilities	637,091	186,739	-	823,830
Total liabilities	**984,307**	**186,739**	**735,646**	**1,906,692**
Net balance sheet position	**1,193,136**	**100,832**	**(735,578)**	**558,391**

The table below provides the analysis of the Group's currency risk as at 31 December 2019.

Group	RUB	USD	GBP	EUR	Total
Assets					
Cash and cash equivalents	271,229	867	1,310,393	263	1,582,751
Loans to customers	786,346	-	-	-	786,346
Property and equipment	11,967	-	-	-	11,967
Right-of-use assets under lease agreements	2,549,233	-	-	-	2,549,233
Other assets	150,525	-	68,122	3,470	222,117
Total assets	**3,769,300**	**867**	**1,378,514**	**3,733**	**5,152,414**
Liabilities					
Loans received	-	-	-	742,603	742,603
Lease liabilities	2,555,648	-	-	-	2,555,648
Other liabilities	499,077	-	162,666	3,162	664,905
Total liabilities	**3,054,725**	**-**	**162,666**	**745,765**	**3,963,156**
Net balance sheet position	**714,575**	**867**	**1,215,849**	**(742,032)**	**1,189,258**

The table below presents a change in the financial result and equity due to possible fluctuations of exchange rates used at the end of the reporting period if all other conditions remain unchanged. Reasonable exchange rate changes for each currency were projected on the basis of historical information on maximum daily exchange rate fluctuations in December 2020.

		31 December 2020
Group	**Effect on profit or loss before taxation**	**Effect on equity**
EUR appreciation by 20%	(147,129)	(117,703)
EUR depreciation by 20%	147,129	117,703

The table below presents a change in the financial result and equity due to possible fluctuations of exchange rates used at the end of the reporting period if all other conditions remain unchanged. Reasonable exchange rate changes for each currency were projected on the basis of historical information on maximum daily exchange rate fluctuations in December 2019.

		31 December 2019
Group	**Effect on profit or loss before taxation**	**Effect on equity**
EUR appreciation by 10%	(74,229)	(59,383)
EUR depreciation by 10%	74,229	59,383

Liquidity risk. Liquidity risk rises when the maturity of assets and liabilities do not match. The Group does not accumulate cash resources to meet calls on all liabilities mentioned above, as based on the existing practice it is possible to forecast with a sufficient degree of certainty the required level of cash funds necessary to meet the above obligations.

To manage its liquidity, the Group is required to analyse the level of liquid assets needed to settle the liabilities when they are mature, provide access to various sources of financing, draw up plans to solve the problems with financing and exercise control over the compliance of the liquidity ratios with the statutory laws and regulations.

The CBR sets and monitors liquidity requirements for microfinance organisations. The Group calculates the liquidity ratio in accordance with Instruction No. 5114-U of the Central Bank of the Russian Federation "On establishment of economic standards for a microloan company attracting loan funds from individuals, including individual entrepreneurs who are founders (participants, shareholders), and (or) legal entities" dated 2 April 2019. As at 31 December 2020 and 31 December 2019, the minimum liquidity ratio was 70%. The Group provides the territorial CBR division that supervises its activities with information on mandatory liquidity ratio in accordance with the set format on a quarterly basis as at the first day of each month. Also, if the liquidity ratio values approach the limit set by the CBR, this information is communicated to the Group's management. The Group complies with the liquidity ratio as at 31 December 2020 (unaudited) and as at 31 December 2019 (unaudited).

The table below shows the maturity profile of financial liabilities as at 31 December 2020:

	On demand and less than 1 month	1 to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 to 3 years	Total
Liabilities						
Loans received	-	51,582	77,373	154,745	618,982	902,682
Lease liabilities	-	83,486	86,451	161,569	31,707	363,213
Other liabilities	533,909	-	-	-	-	533,909
Total potential future payments under financial liabilities	**533,909**	**135,068**	**163,824**	**316,314**	**650,689**	**1,799,804**

The table below shows the maturity profile of financial liabilities as at 31 December 2019:

Group	On demand and less than 1 month	1 to 3 months	From 3 months to 6 months	From 6 months to 12 years	From 1 to 3 years	Total
Liabilities						
Loans received	742,603	-	-	-	-	742,603
Lease liabilities	-	396,064	396,064	787,925	3,069,025	4,649,078
Other liabilities	351,253	-	-	-	-	351,253
Total potential future payments under financial liabilities	**1,093,856**	**396,064**	**396,064**	**787,925**	**3,069,025**	**5,742,934**

The Group does not use the above undiscounted amounts in the maturity analysis to monitor the liquidity profile. Instead, the Group monitors the expected maturity limits that are shown in the table below as at 31 December 2020:

	On demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year	Overdue	No stated maturity	Total
Assets								
Cash and cash equivalents	640,871	-	-	-	-	-	-	640,871
Loans to customers	1,168,937	-	-	-	-	100,376	-	1,269,313
Property and equipment	-	-	-	-	-	-	5,676	5,676
Right-of-use assets under lease agreements	-	-	-	-	-	-	297,925	297,925
Other assets	156,712	29	415	862	162	-	93,118	251,297
Total assets	**1,966,520**	**29**	**415**	**862**	**162**	**100,376**	**396,720**	**2,465,084**
Liabilities								
Loans received	-	27,345	54,270	113,642	540,389	-	-	735,646
Lease liabilities	-	77,397	81,779	157,129	30,911	-	-	347,216
Other liabilities	719,477	-	-	-	-	-	104,353	823,830
Total liabilities	**719,477**	**104,742**	**136,049**	**270,771**	**571,300**	**-**	**104,353**	**1,906,692**
Net liquidity gap as at 31 December 2020	**1,247,043**	**(104,713)**	**(135,634)**	**(269,909)**	**(571,138)**	**100,376**	**292,367**	**558,391**
Cumulative liquidity gap as at 31 December 2020	**1,247,043**	**1,142,329**	**1,006,695**	**736,787**	**165,648**	**266,024**	**558,391**	-

The table below present the maturity profile of assets and liabilities as at 31 December 2019:

Group	On demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Overdue	No stated maturity	Total
Assets								
Cash and cash equivalents	1,582,751	-	-	-	-	-	-	1,582,751
Loans to customers	786,346	-	-	-	-	-		786,346
Property and equipment	-	-	-	-	-	-	11,967	11,967
Right-of-use assets under lease agreements	-	-	-	-	-	-	2,549,233	2,549,233
Other assets	131,938	-	-	2,218	-	12,649	75,312	222,117
Total assets	**2,501,035**	**-**	**-**	**2,218**	**-**	**12,649**	**2,636,512**	**5,152,414**
Liabilities								
Loans received	742,603	-	-	-	-	-	-	742,603
Lease liabilities		227,558	352,680	725,218	1,250,193	-	-	2,555,648
Other liabilities	520,880	-	-	-	-	-	144,025	664,905
Total liabilities	**1,263,483**	**227,558**	**352,680**	**725,218**	**1,250,193**	**-**	**144,025**	**3,963,157**
Net liquidity gap at 31 December 2019	**1,237,552**	**(227,557)**	**(352,680)**	**(723,000)**	**(1,250,193)**	**12,649**	**2,492,487**	**1,189,257**
Cumulative liquidity gap as at 31 December 2019	**1,237,552**	**1,009,995**	**657,315**	**(65,685)**	**(1,315,878)**	**(1,303,229)**	**1,189,257**	-

Interest rate risk. The Group assumes the risk associated with the effects of fluctuations in market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also decrease or create losses in the event of unexpected movements in interest rates.

The Group is exposed to interest rate risk primarily as a result of its lending activities at fixed interest rates, in amounts and for periods which differ from those of fixed interest rate borrowings (Loans to customers as at 31 December 2020: 1,269,313 and as at 31 December 2019: 786,346 British pounds sterling). In practice, interest rates are usually set for short periods. In addition, interest rates recorded in both asset and liability contracts are often revised by mutual agreement in accordance with current market conditions. In 2019 the maximum daily interest rate was limited to 1.5% per day in the first half of the year and 1% the second half of 2019.

Also, the Group's lease liabilities are exposed to interest rate risk (as at 31 December 2020: 347,216 and as at 31 December 2019: 2,555,648 British pounds sterling).

Other assets and liabilities are not exposed to interest rate risk.

21. Capital management

The Group's objectives when managing capital are to comply with the capital requirements set by the Central Bank of Russia, as the main area of business of the Group is in the Russian Federation, and to ensure the Group's ability to continue as a going concern and maintain a capital base at the level necessary to achieve the capital adequacy ratio of 5% in accordance with the CBR requirements.

The Group provides the territorial division of the CBR supervising its operations with information on the mandatory capital adequacy ratio in accordance with the established format quarterly as at the first day of each month.

The statutory requirements for own funds (equity) as at 31 December 2020 are set at one million roubles. The Group is in compliance with the above requirements.

22. Contingencies

Litigations. In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the Group's financial condition or the results of its future operations.

Tax legislation As the main business of Group is in Russia, Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group's companies may be challenged by the relevant regional or federal authorities. Current trends in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments. As a result, tax authorities may challenge transactions and accounting methods for which they have not previously challenged. As a result, significant additional taxes, penalties, and fines may be assessed.

As at 31 December 2020, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained by the regulatory authorities. Management believes that the Group has accrued all relevant taxes.

Operating lease commitments. In the course of its business, the Group enters into a number of lease agreements. These agreements are not irrevocable. The minimum future lease payments under operating leases where the Group is the lessee are presented below:

Group	31 December 2020	31 December 2019
Less than 1 year	-	66,434
Total operating lease commitments	**-**	**66,434**

23. Fair Value of Financial Instruments

A quoted market price in an active market is the best evidence of fair value. As no readily available market exists for the major part of the Group's financial instruments, their fair value is based on current economic conditions and the specific risks attributable to the instrument. The estimates presented below are not necessarily indicative of the amounts the Group could realise in a market exchange from the sale of its full holdings of a particular instrument.

Below is the estimated fair value of the Group's financial instruments as at 31 December 2020 and 31 December 2019:

		2020		2019
Group	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash	640,871	640,871	1,582,751	1,582,751
Loans to customers	1,269,313	1,269,313	786,346	786,346
Financial liabilities				
Loans received	735,646	735,646	742,603	742,603
Other liabilities	533,907	533,907	351,253	351,253

The Group uses the following methods and assumptions to estimate the fair value of these financial instruments:

Cash and cash equivalents. The estimated fair value of cash and cash equivalents does not differ from their carrying amounts due to the nature of these financial instruments.

Loans to customers. Loans to customers are reported net of impairment allowance. The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates (the interest rate on loans in 2020 was 1%, and in 2019 - from 1.5% to 1%).

Loans received. The fair value of other fixed interest-bearing borrowed funds is based on discounted cash flows using interest rates for instruments with similar maturity and in similar currency. The lending rates are equal to the market rates.

To present information on the fair value hierarchy of financial instruments as required by IFRS 13 **Fair Value Measurement,** the management of the Group assigns the above financial assets and liabilities as at 31 December 2019 and 31 December 2018, excluding cash and cash equivalents (Level 1 = GBP 640,871 at 31 December 2020 and GBP 1,582,751 at 31 December 2019) to Level 3 of the fair value hierarchy of inputs.

24. Reconciliation of Classes of Financial Instruments with Measurement Categories

In accordance with IFRS 9 "Financial Instruments", the Group classifies its financial assets and liabilities into the following categories: (a) financial assets at fair value through profit or loss; (b) financial assets at fair value through other comprehensive income; and (c) financial assets at amortised cost.

At the same time, in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosures", the Group discloses various classes of financial instruments.

As at 31 December 2020 and 31 December 2019, all financial assets and liabilities of the Group are classified as financial assets and liabilities measured at amortised cost.

25. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 Related Party Disclosures. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

In the normal course of business, the Group enters into transactions with its sole participant and directors. These transactions include settlements, payment of remuneration to employees and loan draw downs. According to the Group's policy, the terms of related party transactions are equivalent to those prevailing in arm's length transactions.

The outstanding balances at the year end and liability transactions with related parties for 2019 are as follows:

Transactions with party under common ultimate control	2020	2019
Loans received (balance)	735,646	742,603

No interest was accrued in 2020 and 2019 (see Note 9 Loans received).

As at 31 December 2020 and at 31 December 2019, the balance on loans received represents the obligation to pay interest on the loan, which was forgiven In 2018.

Transactions with ultimate beneficiary	2020	2019
Loan to beneficiary	(55,559)	-
Loan offset	55,559	-
Services rendered	-	206,718

Transactions with parent company	2020	2019
Loan issued	45,411	-
Interest income	334	-
Total balance as at 31 December, 2020	45,745	-

For the year ended 31 December 2020, the total remuneration of key management personnel of the Subsidiary was GBP 274,281, including social insurance contributions of GBP 44,106 (2019: GBP 267,128, including social insurance contributions of GBP 39,765). The Group does not provide key management personnel with post-employment and employment termination benefits. The remuneration of the Board of Directors of the Group for the year 2020 was as follows:

Below is the summary of remuneration for each Director for 2020:

	Salary, £, for the year 2020	Bonus for the year 2020	Shares held	Stock options
Malcolm Groat	25,000	-	0	2,150,000
Siro Donato Cicconi	100,000	35,000	320,000,000	10,750,000
Vladimir Golovko	124,361	3,500	0	8,600,000
Simon James Retter	60,000	21,000	3,600,000	6,450,000
Paul James Auger	20,000	-	0	2,000,000

The social insurance contributions, paid by the Company for the year 2020 on remuneration, was £17,388.

Out of pocket expenses totalling £78,055 were incurred by Siro Donato Cicconi in 2019 and as at 31 December 2020 £48,055 remained payable (as at 31 December 2019: £78,055).

26. Business combination

On 19 September 2019 Zaim Credit Systems plc (Parent Company) became the legal parent of Zaim Express LLC (Subsidiary) by way of reverse acquisition. The cost of the acquisition is deemed to have been incurred by Zaim Express LLC, the legal subsidiary in the form of equity instruments issued to the owners of the legal parent. This acquisition has been accounted for as a reverse acquisition as described in Note 3, Basis of Preparation.

The fair values of the shares in Zaim Express LLC have been determined from the admission price of the Zaim Credit Systems plc shares on re-admission to trading on the LSE for 2.5 pence per share. The value of the consideration shares was £8,000,000. The fair value of the notional number of equity instruments that the legal subsidiary would have had to have issued to the legal parent to give the owners of the legal parent the same percentage ownership in the combined entity is 1.84 per cent of the market value of the shares after issues, being £150,000. The difference between the notional consideration paid by Zaim Credit Systems plc for Zaim Express LLC and the Zaim Credit Systems plc net assets acquired of £nil has been charged to the Consolidated Statement of Comprehensive Income as a deemed cost of listing amounting to £150,000 with a corresponding entry to the reverse acquisition reserve.

Details of net assets acquired and the deemed cost of the listing were as follows:

	£
Consideration effectively received	150,000
Less net asset required:	
Cash and cash equivalents	52,055
Debtors and prepayments	11,982
Current liabilities	(64,037)
Total net asset required:	-
Deemed cost of listing	150,000

The terms of the share purchase agreement between the Company and Zaim Express LLC were as follows: there are certain circumstances under which deferred contingent consideration might become payable. Should the Company record a monthly EBITDA figure in accordance with IFRS of £200k per month for a continuous period of four months and there be no reasonable expectation that this should fall below this level for a further period of six months then a further 16,000,000 new ordinary shares in the Company shall become payable. Additional consideration of 16,000,000 shares over and above that already mentioned shall become payable should the Company record a monthly EBITDA figure of £350k per calendar month with the same continuous period clause as noted above. At the IPO price per share these deferred contingent considerations would have a value of £400k each for a combined value of £800k. It has been considered by the Directors at this time that, in light of the COVID-19 pandemic it remains difficult to predict if and when this might occur. This combined with the current low probability of these milestones being met in the current environment, meant that no fair value has been calculated for such deferred considerations.

Under the terms of the share purchase agreement between the Company and Zaim Express LLC (Subsidiary) there are certain circumstances under which deferred contingent consideration might become payable. Should the Company record a monthly EBITDA figure in accordance with IFRS of £200k per month for a continuous period of four months and there be no reasonable expectation that this should fall below this level for a further period of six months then a further 16,000,000 new ordinary shares in the Company shall become payable. Additional consideration of 16,000,000 over and above that already mentioned shall become payable should the Company record a monthly EBITDA figure of £350k per calendar month with the same continuous period clause as noted above. At the IPO price per share these deferred contingent considerations would have a value of £400k each for a combined £800k in value. It has been considered by the Directors that given the improvement in outlook for the business that this additional consideration is likely to become payable in the near future and therefore a reserve of shares to be issued has been recognised and associated increase in carrying value of the investment in Zaim Express LLC (Subsidiary) as a result of this consideration.

27. Auditor's remuneration

Audit	31.12.20 £	31.12.19 £
Fees payable to the company's auditor for the audit of the annual parent company and consolidated accounts	40,000	40,000
Fees payable to the company's auditor for other services provided to the company and its subsidiaries		
The audit of the company's subsidiaries under legislative requirements		
Total audit	40,000	40,000

28. Events after the Reporting Period

Currently the Group does not consider the impact of COVID-19 to be significant to the business going forward.

On 6th April 2021, Zaim Express LLC, the Groups wholly owned Subsidiary, entered into an agreement for an unsecured loan of RUB 50M for a period until September 2022 with an interest rate of 15% per annum.

There are not considered to be any other events after the reporting date.

5

CORPORATE INFORMATION & GLOSSARY

Corporate Information

ISIN: GB00BK5T9G03

SEDOL: BK5T9G0

TIDM: ZAIM

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Company's Auditors:

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Glossary

ATM an automated teller machine is an electronic telecommunications device that enables customers of financial institutions to perform financial transactions, such as cash withdrawals, deposits, funds transfers, or account information inquiries, at any time and without the need for direct interaction with bank staff.

CBR Central Bank of Russian Federation

"Default" means within the guidelines of the Company any loan with no payments to cover either principal or interest amount for over 90 days after the maturity date.

"Default Rate" means the share of loans with no payments for over 90 days after the maturity day in the amount funded for the same period.

"Delinquencies" means within the guidelines of the Company any borrower who is late in the repayment of their loan

ECL expected credit loss

IFRS International Financial Reporting Standards as adopted by the European Union

"Independent Non-Executive Director" means the non-executive directors of the Board from time to time considered by the Board to be independent for the purposes of the UK Corporate Governance Code

MAR the Market Abuse Regulation (EU) No. 596 (2014) of the European Parliament and of the Council;

MCC microcredit company

MCO microcredit organization

"Microfinance Law" Federal Law No. 151-FZ of July 2, 2010 on Microfinance Activity and Microfinance Organizations, effective January 2011;

MFC microfinance company

MFI a microfinance institution

"NA Loan" means the loan agreement dated 17 May 2019 between Zaim and LLC NOAH ARK 500 pursuant to which a short term loan of 30,000,000.00 Russian Roubles was advanced to Zaim

POS Terminal a point of sale terminal (POS terminal) is an electronic device used to process card payments at retail locations

QIWI QIWI plc including its banking subsidiary, Qiwi Bank JSC

UIAS the Russian Unified Identification and Authentication System

ZAIM CREDIT SYSTEMS