

IDF HOLDING LTD
Consolidated financial statements
for the year ended 31 December 2018
and Independent Auditor's Report

IDF HOLDING LTD

BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

Board of Directors:	Themis Directors Limited (Resigned on 04/04/2019) Alekssei Shakhmatov Boris Batine (Appointed on 04/03/2019) Julila Zagumjonnova (Appointed on 04/03/2019) Petros Petrides (Appointed on 04/04/2019)
Group Secretary:	Oleg Saposnicov
Independent Auditors:	Ernst & Young Cyprus Ltd Certified Public Accountants and Registered Auditors Jean Nouvel Tower 6 Stasinou Avenue P.O. Box 21656 1511 Nicosia Cyprus
Registered office:	Riga Feraiou 4 OMEGA BUSINESS CENTER 4th floor, Flat/Office 41 A&B 3095, Limassol Cyprus
Banks	ALFA BANK JSC BENDURA BANK AG TRANSKAPITALBANK HALYK SAVINGS BANK OF KAZAKSTAN NURBANK JSC
Registration number	HE317558

IDF HOLDING LTD

MANAGEMENT REPORT

The Board of Directors of IDF HOLDING LTD (the "Company") presents to the members its Annual Report with the audited consolidated financial statements of the Company and its subsidiaries (together referred to as, the "Group") for the year ended 31 December 2018.

The registered office is located in Limassol, Cyprus. IDF HOLDING LTD was incorporated in Cyprus on 8 January 2013.

Principal activities and nature of operations of the Group

Headquartered in Cyprus, ID Finance Eurasia ("Group") is a fast growing data science, credit scoring and digital consumer finance provider focused on emerging markets. ID Finance Eurasia is pioneering fintech innovation across Europe and Asia, have several geographies pipelined. The Group is leveraging the growth of mobile internet and availability of data to provide access to competitive and transparent financial services, and address the massive structural demand unmet by incumbents. Data science is improving the quality, precision and speed of operations to deliver more competitive and convenient financial services. The Company is applying machine learning and artificial intelligence across its business, from reviewing clients to optimizing digital marketing campaigns and providing efficient customer service.

Thanks to deep expertise and an innovative approach to data collecting and processing, the company offers fully automated fast convenient consumer loans, available 24/7.

Financial Results

The Group's financial results for the year ended 31 December 2018 are set out on page 7 to the consolidated financial statements. The Group results presented with IFRS 9 applied retrospectively, with an initial application date of 1 January 2017. The net profit for the year attributable to the shareholders of the Group amounted to USD 14,3 mln (2017: USD 3,5 mln).

Review of current position, future developments and performance of the Group's business

There are more than 350 professionals developing business across our operations in Russia, Kazakhstan and Georgia. Innovations and operational excellence allowed ID Finance Eurasia to take a leading position in Russian and Kazakhstan online-lending markets. The Company processes over 9,000 applications every day. The convenient, customer-oriented product allowed to achieve a high level of client retention. Over 85% of new clients generate repeat business. ID Finance Eurasia saw 70% revenue growth in 2018 following continued diversification across products and its expansion into the online lending market.

At the end of the year 2018, gross original amounts of loans issued increased to \$ 203 million, that is more than 30% than at the end of the previous year. In quantitative terms, loans rose by 32%, to 902,000 units. At the end of the year 2018, the company processed 9,500 applications per day, comparing to 8,100 of previous year average. The number of unique registered users in 2018 was 5.7 million people (growth +42% to year 2017).

In December 2017, a Russian subsidiary of the Group raised RUB 500 mln. (USD 8,5 mln.) from bonds registered in Russia and listed on the Moscow Exchange. The bonds, which were oversubscribed, have a maturity period of three years and a current coupon rate of 16,5%.

IDF HOLDING LTD strives to continue to improve its services and develop innovative risk assessment methods. The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

Results and Dividends

The Group's results for the year are set out on page 7. Dividends in amount of EUR 2 mln were declared on June 14, 2018.

On 13 December 2018 the Board of Directors has considered to distribute as dividends in kind, the 100% of the shares owned by the Company in its Spanish subsidiary named ID FINANCE INVESTMENTS, S.L.U to the Company's shareholders valued at US\$113.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1. Mr. Boris Batine and Mrs. Julija Zagumjonnova were appointed directors on 04 March 2019.

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Themis Directors Limited who was appointed director on 21 May 2013 resigned on 04 April 2019 and on the same date Mr. Petros Petrides was appointed in his place.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after reporting date

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditors

The independent auditors, Ernst&Young Cyprus Limited, were appointed by the Board of Directors of the Company and expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting of the Company.

By order of the Board of Directors,

Julija Zagumjonnova
Director

Limassol, 07 June 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of IDF HOLDING LTD.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of IDF HOLDING LTD. (the "Company"), and its subsidiaries (the "Group"), which are presented in pages 7 to 8 and comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Statement of management's responsibilities for the preparation and approval of the consolidated financial statements and the Management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

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Other Matters

- This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, Cyprus

07 June 2019

19. OPERATING SEGMENTS (continued)

Analysis by segment
Information about reportable segments

Segment information for the main reportable business segments of the Group for the year ended 31 December 2018 is set below:

	Russia	Kazakhstan	Georgia		All other segments	Total
for the year ended 31.12.2018						
Interest income	88 890	38 371	7 341		345	134 947
Interest expense	(4 905)	(361)	(411)		(7 991)	(13 668)
Net impairment losses on loans and receivables	(59 982)	(10 941)	(5 866)		(384)	(77 173)
Reportable segment profit/ (loss) before tax	<u>7 020</u>	<u>15 918</u>	<u>(1 584)</u>		<u>(3 450)</u>	<u>17 094</u>

Segment information for the main reportable business segments of the Group for the year ended 31 December 2017 is set below:

	Russia	Kazakhstan	Georgia		All other segments	Total
for the year ended 31.12.2017						
Interest income	69 379	23 702	5 098		287	98 466
Interest expense	(4 944)	(26)	-		(2 364)	(7 334)
Net impairment losses on loans and receivables	(49 898)	(8 384)	(3 198)		-	(61 480)
Reportable segment profit/ (loss) before tax	<u>3 198</u>	<u>8 693</u>	<u>(1 804)</u>		<u>(1 053)</u>	<u>9 034</u>

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2018 is set out below:

	Russia	Kazakhstan	Georgia		All other segments	Total
Reportable segment assets	<u>39 320</u>	<u>34 993</u>	<u>4 660</u>		<u>37 986</u>	<u>116 959</u>
Reportable segment liabilities	<u>22 506</u>	<u>9 956</u>	<u>3 736</u>		<u>70 048</u>	<u>106 246</u>

A segment breakdown of assets and liabilities of the Group for the year ended 31 December 2017 is set out below:

	Russia	Kazakhstan	Georgia	Spain	Poland	All other segments	Total
Reportable segment assets	<u>35 032</u>	<u>14 893</u>	<u>12 170</u>	<u>8 060</u>	<u>6 746</u>	<u>9 719</u>	<u>86 620</u>
Reportable segment liabilities	<u>31 716</u>	<u>4 183</u>	<u>2 112</u>	<u>5 249</u>	<u>737</u>	<u>39 820</u>	<u>83 817</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2018

IDFINANCE KAZAKHSTAN

2018
USD'000

Revenue	37 747
Provision and write-off expenses	(10 941)
Other income	639
Net income	27 445
Operating expenses	(6 382)
Administrative expenses	(3 274)
DD&A IA	(23)
Other expenses	(478)
Operating income	17 288
Interest income	43
Interest expense	(1 032)
Net loss/gain from foreign exchange	(381)
Profit (loss) before income tax	15 917
Income tax expense	(2 910)
Profit (loss) for the year	13 007
Other comprehensive income, net of income tax	-
<i>Items that are or may be reclassified subsequently to profit or loss:</i>	-
Revaluation reserve for available-for-sale financial assets:	-
- Net change in fair value	-
- Net change in fair value transferred to profit or loss	-
Exchange differences on translation	-
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-
<i>Items that will not be reclassified to profit or loss:</i>	-
Revaluation of buildings	-
<i>Total items that will not reclassified to profit or loss</i>	-
Other comprehensive income for the year, net of income tax	-
Total comprehensive income for the year	13 007
Profit (loss) attributable to:	-
Equity holders of the Component/Group	-
Non-controlling interests	-
Total comprehensive income attributable to:	-
Equity holders of the Component/Group	-
Non-controlling interests	-
Total comprehensive income for the year	13 007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	31-Dec-18
	USD'000
ASSETS	
Cash and cash equivalents	823
Financial instruments at fair value through profit or loss	-
- Held by the Company	-
- Pledged under sale and repurchase agreements	-
Available-for-sale financial assets	-
- Held by the Company	-
- Pledged under sale and repurchase agreements	-
Loans to customers	33 627
Loans to related parties	0
Held-to-maturity investments	-
Assets held for sale	-
Current tax asset	152
Investment property	-
Prepaid expenses	80
Other investments	-
Property, plant and equipment	29
Intangible assets	1
Deferred tax assets	105
Other assets	177
Total assets	34 993
LIABILITIES	
Financial instruments at fair value through profit or loss	-
Loans and borrowings	11 722
Certificates of deposit and promissory notes	-
Current tax liability	612
Deferred tax liabilities	1
Loans due from Customers	-
Other Deferred tax liabilities	-
Employee benefits	-
Provisions	55
Other liabilities	1 682
Accounts Payable	-
Related party payables	1 177
Total liabilities	15 248
EQUITY	0
Share capital	1 788
Other Shareholder Contributions	-
Share premium	-
Revaluation reserve for available-for-sale financial assets	-
Foreign currency translation reserve	- 34
Legal reserve	-
Retained earnings (accumulated losses) - income	17 992
Other Equity reserves	-
Total equity attributable to equity holders of the Comonent/Group	19 745
Non-controlling interests	-
Total equity	19 745
Total liabilities and equity	34 993

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018
	USD
Operating expenses breakdown	
Marketing CC	(1,725)
Product CC	-
Risk Scoring CC	(372)
Risk Verification CC	(141)
Internal Collections CC	(563)
External Collections CC	(222)
Legal Collections CC	(183)
Customer Support CC	(445)
InterCo charges	(1,697)
Holding charges	-
Processing	(1,035)
Other	-
Total	(6,382)

	2018
	USD
Admin expenses breakdown	
Office expenses	(166)
Compensation to employees	(505)
Payroll taxes	(55)
Employee option scheme	-
Professional services fees	(410)
Audit fees	-
Hosting and IT maintenance	(329)
Client support (call center)	(4)
Legal fees	(1)
Depreciation	(23)
Amortisation	(0)
InterCo charges	(979)
Holding charges	-
Other	(1,302)
Total	(3,776)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018
	USD
Loans and borrowings breakdown	
Loans from related parties	7,313
Bonds issued	-
Bank borrowings	-
Loans from private investors	6,681
Loans and borrowings	13,994
Maturing within one year	13,994
Maturing after one year	-
Loans and borrowings	13,994
Loans to customers breakdown	
Loans due from customers	59,209
Less Impairment allowance	(25,582)
Net loans due from customers, net of allowance	33,627