JSC Express Technologies

Consolidated IFRS Financial statements

For the year ended 31 December 2017
With Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

NOTES TO THE FINANCIAL STATEMENTS

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Independent auditor's report

To the Shareholders, Supervisory Board and Management of JSC Express Technologies

Opinion

We have audited the consolidated financial statements of JSC Express Technologies and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 19 to the consolidated financial statements, which describes a significant concentration of the Group's transactions with related parties. Our opinion is not modified in respect of this matter.

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Other information included in the Group's management report

Other information consists of the information included in the Group's Management report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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 management and Supervisory Board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management 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 financial statements, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Supervisory Board 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 financial statements.

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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 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 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 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 and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 management 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 in accordance with the requirements of Article 7, paragraph 10 of the Georgian Law on Accounting, Reporting and Auditing

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

- The information given in the Group's Management report for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements; and
- The Management report include the information required by the Article 7 of the Georgian Law on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

The partner in charge of the audit resulting in this independent auditor's report is Ruslan Khoroshvili.

Ruslan Khoroshvili

For and on behalf of EY Georgia LLC

Tbilisi, Georgia

18 September 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER

(Thousands of Georgian Lari)

	Notes	*2017*	*2016*	*1 January 2016*
Assets				
Non-current assets				
Property and equipment	5	17,276	16,327	16,939
Intangible assets	6	4,938	4,319	2,958
Prepayments for property and equipment and intangible assets		308	964	212
Deferred tax asset	17	–	–	423
		22,522	**21,610**	**20,532**
Current assets				
Inventories	7	2,002	2,228	2,991
Prepayments and other current assets	8	1,576	1,682	1,755
Current income tax asset		31	31	232
Accounts receivable	9	1,670	1,375	1,603
Amounts due from credit institutions	10	1,572	530	1,627
Cash and cash equivalents	11	43,534	31,619	24,714
		50,385	**37,465**	**32,922**
Total assets		**72,907**	**59,075**	**53,454**
Equity				
Share capital	12	23,316	23,316	23,316
Share premium	12	4,257	4,257	4,257
Other reserves		–	50	(25)
Retained earnings		4,682	1,901	1,937
Total equity attributable to shareholder of the Group		**32,255**	**29,524**	**29,485**
Non-controlling interests		136	130	124
Total Equity		**32,391**	**29,654**	**29,609**
Non-current liabilities				
Accounts payable	13	–	10	418
Deferred tax liability	17	–	–	668
		–	**10**	**1,086**
Current liabilities				
Accounts payable	13	39,800	29,297	22,635
Advances received		662	8	19
Dividends payable		33	34	36
Current income tax liabilities		21	72	69
		40,516	**29,411**	**22,759**
Total liabilities		**40,516**	**29,421**	**23,845**
Total equity and liabilities		**72,907**	**59,075**	**53,454**

The financial statements on pages 1 to 18 were approved by the management of JSC Express Technologies on 18 September 2018 and signed on its behalf by:

Irakli Kodua Chief Executive Officer

18 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

(Thousands of Georgian Lari)

	Notes	*2017*	*2016*
Revenue from transaction processing		18,574	14,897
Revenue from maintenance services		1,382	1,639
Revenue from personalisation services		554	569
Fees from sale and initiation of transport cards		430	413
Total revenues	14	**20,940**	**17,518**
Other operating income	15	2,696	2,957
Salaries and other employee benefits	16	(8,808)	(8,973)
Rent		(1,715)	(1,485)
Depreciation and amortisation		(3,768)	(3,474)
Other operating expenses	15	(6,790)	(6,707)
Operating profit/(loss)		**2,555**	**(164)**
Interest income		52	10
Interest expense		(9)	(123)
Foreign exchange loss		192	211
Profit/(loss) before income tax expense		**2,790**	**(66)**
Income tax benefit	17	–	36
Profit/(loss)for the year		**2,790**	**(30)**
Attributable to:			
Equity holders of the parent		2,781	(36)
Non-controlling interests		9	6
Basic and diluted earnings per share	**12**	**0.12**	**–**
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods			
- (Loss) / gain from currency translation differences		(50)	75
Net other comprehensive (loss)/income		**(50)**	**75**
Total comprehensive income for the year		**2,740**	**45**
Total comprehensive income attributable to:			
Equity holders of the parent		2,731	39
Non-controlling interests		9	6

CONSOLIDTAED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

(Thousands of Georgian Lari unless otherwise stated)

	Share capital	*Share premium*	*Other reserves*	*Retained earnings*	*Non-controlling interests*	*Total*
1 January 2016	**23,316**	**4,257**	**(25)**	**1,937**	**124**	**29,609**
(Loss) / profit for for the period	–	–		(36)	6	(30)
Other comprehensive income	–	–	75	–	–	75
31 December 2016	**23,316**	**4,257**	**50**	**1,901**	**130**	**29,654**
Profit for the period	–	–	–	2,781	9	2,790
Other comprehensive loss	–	–	(50)	–	–	(50)
Acquisition of shares in existing subsidiaries	–	–	–	–	(3)	(3)
31 December 2017	**23,316**	**4,257**	**–**	**4,682**	**136**	**32,391**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

(Thousands of Georgian Lari unless otherwise stated)

	Notes	*2017*	*2016*
Cash flows from operating activities			
Profit/(loss) before tax		2,790	(66)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		3,768	3,474
Net loss on disposal of property and equipment	15	15	700
Net gain from sale of refurbishement services and equipment	15	(182)	(303)
Working capital adjustments:			
Decrease in inventories		226	763
Decrease in prepayments and other current assets		106	73
(Increase)/decrease in accounts receivable		(295)	228
Increase in accounts payable and other liabilities		11,149	5,502
Net cash flows from operating activities before income tax		**17,577**	**10,371**
Interest paid		(9)	(123)
Income tax paid		(51)	(5)
Net cash flows from operating activities		**17,517**	**10,243**
Cash flows used in investing activities			
Purchase of property and equipment and intangible assets		(6,099)	(5,610)
Proceeds from sale of property and equipment		1,591	1,142
(Placement)/withdrawal of amounts due from credit institutions		(1,042)	1,097
Net cash used in investing activities		**(5,550)**	**(3,371)**
Cash flows used in financing activities			
Dividends paid		(1)	(2)
Net cash used in financing activities		(1)	(2)
Net increase in cash and cash equivalents		**11,966**	**6,870**
Net foreign exchange difference		(51)	35
Cash and cash equivalents, beginning	**11**	**31,619**	**24,714**
Cash and cash equivalents, end	**11**	**43,534**	**31,619**

(Thousands of Georgian Lari unless otherwise stated)

1. Background

JSC Express Technologies (the "Company") is a joint stock company incorporated on 29 October 2007 in accordance with Georgian legislation with legal address at 106 Beliashvili Street, Tbilisi, Georgia. The consolidated financial statements comprise the Company and its subsidiaries (together reffered as "the Group"). The Group principal activities include self service terminal network operations, maintenance and transactions processing, operation and maintenance of fare collection system throughout the public transportation network and personalisation services.

As at 31 December 2017, 31 December 2016 and 1 January 2016, the Company was wholly owned by JSC BG Financial. The members of the supervisiory board of the Group hold no shares of the Group.

As at 31 December 2017, 31 December 2016 and 1 January 2016, the Company's ultimate controlling party is BGEO Group PLC, a UK based entity listed on the London Stock Exchange.

These consolidated financial statements have not yet been approved by the shareholders. The shareholders have the power and authority to amend the consolidated financial statements after issue.

Subsidiaries

The consolidated financial statements as of 31 December 2017, 31 December 2016 and 1 January 2016 include the following subsidiaries with the following effective ownership interests:

Subsidiary	*2017*	*2016*	*1 January 2016*	*Country*	*Industry*
JSC Georgian Card	99.46%	99.45%	99.45%	Georgia	Processing and personalisation services
LLC Direct Debit Georgia	99.46%	99.45%	99.45%	Georgia	Self service terminal network operations, maintenance and transactions processing
LLC Metro Service Plus	100.00%	100.00%	100.00%	Georgia	Operation and maintenance of fare collection system throughout the public transportation network
LLC Didi Digomi Research Center	100.00%	100.00%	100.00%	Georgia	Data exchange using its fiber optic cable throughout Tbilisi Metro, software development
LLC Express Technologies CEE	–	100.00%	100.00%	Hungary	Self Service Terminal network operations, maintenance and transactions processing

In April 2016, the Group approved a decision to liquidate its 100% owned subsidiary in Hungary, LLC Express Technologies CEE, which was officially closed in October 2017.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements have been prepared on a historical cost basis. These financial statements have been presented in thousands of Georgian Lari (GEL), except otherwise stated.

First time adoption of International financial reporting standards (IFRS)

These consolidated financial statements, for the year ended 31 December 2017, are the first consolidated financial statements prepared in accordance with IFRS by the Group. Accordingly, these financial statements have been prepared to comply with IFRS applicable at the end of its first reporting period, being 31 December 2017, together with the comparative period data as at 31 December 2016 and 1 January 2016 and for the years ended 31 December 2017 and 2016. The Group did not present consolidated financial statements for previous periods, therefore, no reconciliation with previously reported consolidated financial statements are provided. The Group did not use any exemptions from retrospective application provided by IFRS 1 *First Time Adoption of International Financial Reporting Standards*. The Group early adopted IFRS 15 *Revenue from Contracts with Customers* starting from 1 January 2016.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017, 31 December 2016 and 1 January 2016. 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.

(Thousands of Georgian Lari unless otherwise stated)

2. Basis of preparation (continued)

Basis of consolidation (continued)

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an 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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3. Summary of significant accounting policies

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognised in the profit or loss within other operating expense. Costs related to repairs and renewals are charged when incurred and included other operating expenses unless they qualify for capitalisation.

Depreciation of an asset commences when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Self service terminals and spare parts	10
Buildings	100
Furniture and fixtures	10
Computers and office equipment	5
Motor vehicles	5
Leashold improvements	5
Other equipment	5

Self service terminals and spare parts may include uninstalled major spare parts. These assets are depreciated since they are installed to self service terminals.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period the asset is derecognised.

Intangible assets

Intangible assets include licenses. Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic lives of such assets of between 5 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Inventories

Inventories comprise spare parts and other items and are valued at the lower of cost and net realisable value. The cost of inventory is determined on a weighted average basis and includes expenditure incurred in acquiring inventory and bringing it to its existing location and condition.

Financial assets

Financial assets in the scope of IAS 39 are classified either as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets upon initial recognition. The Group does not have any financial assets designated as available-for-sale or at fair value through profit or loss.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities. Such assets are carried at amortised cost using the effective interest method. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the profit or loss when loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are recognised initially at the transaction price deemed to be fair value at origination date.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When an asset is uncollectible, it is written off against the related allowance for impairment. Such assets are written off after all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash in transit, cash at banks, cash on hand and short-term depostits that mature within three months from the date of origination, that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and are free from contractual encumbrances.

Cash and cash equivalents include settlement-related cash-in-transit and cash at bank. Settlement-related cash balances represent cash amounts paid by an individual and placed either in self service terminals or cash desks or transferred to the Group's bank account from such self service terminals or cash desks. Simultaneously with payment made by an individual using self service terminal or cash desk, a related party bank transfers funds to a merchant, resulting in a settlement-related payables recognition. Settlement-related cash in transit are initially placed at the Group's bank account opened in the related party bank and then are used in settlement of processing obligations to the related party bank the following three days.

Taxation

The annual profit earned by entities other than banks, insurance companies and microfinance organisations is not taxed in Georgia starting from 1 January 2017 (Note 17). Corporate income tax is paid on dividends is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia. Withholding tax payable in respect of dividend distribution to the shareholders of the Group is recognised as deduction from equity in the statement of changes in equity.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Taxation (continued)

Georgian tax legislation also provides for charging corporate income tax on certain transactions that are considered deemed profit distributions (for example, transactions at non-market prices, non-business related expenses or supply of goods and services free of charge). Taxation of such transactions is accounted similar to operating taxes and is reported within other operating expenses.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation. The Group has not offset any of its assets and liabilities or income and expenses.

The right of offset must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

Provisions and contingencies

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 economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Share capital

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

For multiple-element arrangements, the Group accounts for individual services separately if they are distinct. The consideration is allocated between separate services on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells its transactions processing and maintenance services.

The following specific recognition criteria must also be met before revenues are recognised:

Revenue from transaction processing

The Group provides transaction processing services that include receipt of cash amounts from an individual either via self service terminal or cash desk for service(s) provided by a mechant and further transfer of such cash amounts to the related party bank which funds mechants simoultaneously with completion of payment transaction at self service terminal or cash desk. Revenue from transaction processing is generated by services priced as a percentage of transaction value or a specified fee per transaction. Such revenue is recognised upon satisfaction of performance obligation on completion of the underlying transaction.

Revenue from personalisation services

The Group’s revenue from personalization services comprises of issuance and personalization of plastic cards for financial and non-financial institutions.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from maintenance services

The Group provides maintenance services to the related party bank operating its own self service terminals.The Group undertakes to repair specified equipment after a malfunction for a montly fixed fee per self service terminal. Accordingly, revenue from maintenance services is earned as a result of standing ready to provide services during a stipulated time period, not as a result of actually providing the maintenance services. Stand ready obligations are satisfied and revenue is recognised based on the passage of time over the term of the contract.

Fees from sale and initiation of transport cards

The Group sells and performs initiation of not personalised transport cards to individuals at a fixed price approved by municipal authorities. Revenue from sale and initiation of transport cards is recognised at the time of sale of these cards, as the Group does not have any performance obligations except for sale and initiation of a transport card to the public transport payment system. Fees from sale and initiation of transport cards represent respective revenue net of related cost of plastic cards as the Group assesses it acts as agent in such transactions (see also Note 4).

Interest income

For all financial instruments measured at amortised cost classified as accounts receivable, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in the profit or loss.

Foreign currency translation

The Group's functional currency is GEL. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into GEL at official exchange rates declared by the National Bank of Georgia ("NBG") and effective as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the profit or loss within foreign exchange loss, net.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBG exchange rate on the date of the transaction are included in the profit or loss within foreign exchange loss, net. The official NBG exchange rates at 31 December 2017 and 2016 were 2.5922 and 2.6468 GEL to USD, respectively.

Standards issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted. Such standards that are expected to have an impact on the Group, or the impacts of which are currently being assessed, are as follows:

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 for annual periods on or after 1 January 2018, with early application permitted. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

The Group will adopt the new standard from the effective date by recognising the estimated impact from adoption in opening retained earnings on 1 January 2018 and as allowed by IFRS 9 will not restate comparative information. Based on the data as at 31 December 2017, the Group estimates that the adoption of IFRS 9 will not impact significantly the equity as at 1 January 2018.

(a) Classification and measurement

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at amortised cost all financial assets and liabilities currently held at amortised cost.

Accounts receivable are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 9 *Financial Instruments (continued)*

(b) Impairment of financial assets

IFRS 9 will also fundamentally change the approach to impairment of accounts receivable. The standard will replace IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance would be based on the probability of default over the life of the asset. The Group has determined that the allowance for impairment of accounts receivable will not increase significantly. Due to the short-term and highly liquid nature of cash and cash equivalents and amounts due from credit institutions, the Group has assessed corresponding expected credit losses to be immaterial.

IFRS 16 Leases

IFRS 16 *Leases* was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group will assess the potential effect of IFRS 16 on its financial statements.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation, or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its financial statements.

(Thousands of Georgian Lari unless otherwise stated)

4. Significant accounting judgments and estimates

The preparation of the consolidated financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenses for the period. Although the estimates are based on management's best knowledge and judgment of current facts as at the reporting date, the actual outcome may differ from these estimates.

In the process of applying the Group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

Recognition and presentation of fees from sale and inititation of transport cards

The Group sells and performs initiation of not personalised transport cards to individuals at a fixed price approved by municipal authorities. Transport card itself represent more convenient way to pay for public transport services only.

The Group assesses it is facilitating the sale and initiation of transport cards and therefore considers its performance obligation is to arrange the sale and initiation of transport cards to individuals and accordingly satisfies it at a point of time. The Group transfers the right to its customers to pay future public transport services using a transport card and is not primarily responsible for fulfilling the promise to provide transport services. In addition, the Group has no discretion in establishing the price for transport cards as it sells them at a fixed price approved by municipal authorities. The Group has only inventory risk limited to the cost of plastic cards.

Taking into consideration the above discussed indicators, the Group assesses it acts as agent in such transactions recognising revenues from sale and initiation of transport cards at a point in time net of related cost of plastic cards accordingly.

5. Property and equipment

The movements in property and equipment were as follows:

	Self service terminals and spare parts	***Land and buldings***	***Furniture and fixtures***	***Computers and office equipment***	***Motor vehicles***	***Leashold improve ments***	***Other equip-ment***	***Total***
Cost								
1 January 2016	**16,835**	**908**	**530**	**3,628**	**343**	**863**	**405**	**23,512**
Additions	2,397	10	34	868	27	48	9	3,393
Disposals	(2,332)	-	(20)	(287)	(26)	(332)	(273)	(3,270)
Effect of translation to presentation currency	72	-	-	1	1	-	-	74
31 December 2016	**16,972**	**918**	**544**	**4,210**	**345**	**579**	**141**	**23,709**
Additions	2,963	11	57	775	116	113	302	4,337
Disposals	(494)	-	(54)	(935)	(125)	-	(12)	(1,620)
31 December 2017	**19,441**	**929**	**547**	**4,050**	**336**	**692**	**431**	**26,426**
Accumulated depreciation and impairment								
1 January 2016	**3,758**	**5**	**261**	**1,763**	**130**	**367**	**289**	**6,573**
Depreciation charge	1,777	9	56	705	56	90	38	2,731
Disposals	(1,074)	-	(18)	(232)	(9)	(332)	(265)	(1,930)
Effect of translation to presentation currency	7	-	-	1	-	-	-	8
31 December 2016	**4,468**	**14**	**299**	**2,237**	**177**	**125**	**62**	**7,382**
Depreciation charge	1,910	9	58	789	54	86	20	2,926
Disposals	(82)	-	(54)	(932)	(78)	-	(12)	(1,158)
31 December 2017	**6,296**	**23**	**303**	**2,094**	**153**	**211**	**70**	**9,150**
Net book value:								
1 January 2016	**13,077**	**903**	**269**	**1,865**	**213**	**496**	**116**	**16,939**
31 December 2016	**12,504**	**904**	**245**	**1,973**	**168**	**454**	**79**	**16,327**
31 December 2017	**13,145**	**906**	**244**	**1,956**	**183**	**481**	**361**	**17,276**

(Thousands of Georgian Lari unless otherwise stated)

6. Intangible assets

	Cost	*Amortisation charge*	*Net book value*
1 January 2016	**4,446**	**(1,488)**	**2,958**
Additions / (Amortisation charge)	2,070	(743)	
Disposals	(620)	620	
Effect of translation to presentation currency	35	(1)	
31 December 2016	**5,931**	**(1,612)**	**4,319**
Additions / (Amortisation charge)	1,463	(842)	
Disposals	(218)	215	
Effect of translation to presentation currency	1	–	
31 December 2017	**7,177**	**(2,239)**	**4,938**

7. Inventories

	2017	*2016*	*1 January 2016*
Spare parts	1,252	1,561	2,519
Plastic transport cards	236	115	125
Other	514	552	347
Total inventories	**2,002**	**2,228**	**2,991**

8. Prepayments and other current assets

	2017	*2016*	*1 January 2016*
Operating taxes receivable	1,068	1,112	1,363
Prepayments for services	219	346	292
Prepayments for inventories	214	179	57
Prepayments ro related parties (Note 19)	12	10	17
Others	63	35	26
Total prepayments and other current assets	**1,576**	**1,682**	**1,755**

9. Accounts receivable

	2017	*2016*	*1 January 2016*
Receivables from related parties (Note 19)	1,267	919	1,136
Other receivables	429	482	472
	1,696	**1,401**	**1,608**
Less – Allowance for impairment	(26)	(26)	(5)
Total accounts receivable, net	**1,670**	**1,375**	**1,603**

As at 31 December 2017, 31 December 2016 and 1 January 2016, the carrying amounts disclosed above reasonably approximate their fair values. Payment terms are in range between 5 to 30 calendar days.

As at 31 December 2017, 31 December 2016 and 1 January 2016, accounts receivable with an initial carrying value of GEL 26, GEL 26 and GEL 5, respectively, were impaired and fully provided for.

10. Amounts due from credit institutions

As at 31 December 2017, 31 Decemer 2016 and 1 January 2016, amounts due from credit institutions were represented by short-term placements with banks with original maturity from 6 to 12 months. In 2017 and 2016, the Group earned interest income of GEL 18 and GEL 6, respectively.

(Thousands of Georgian Lari unless otherwise stated)

11. Cash and cash equivalents

	2017	2016	1 January 2016
Settlement-related cash in transit	15,561	11,667	10,648
Settlement-related cash on a related party bank account (Note 19)	22,118	14,990	8,989
Cash on a related bank account	4,396	3,617	3,633
Cash on a non-related bank account	–	284	137
Cash on hand	1,459	1,061	1,307
	43,534	**31,619**	**24,714**

Settlement-related cash in transit represents cash received from individuals before its deposit on the servicing related party bank's account.

Cash on bank accounts earns interest at floating rates based on daily bank deposit rates. The Group management does not expect any losses from non-performance by the bank holding cash and cash equivalents, and there are no material differences between their book and fair values.

12. Equity

As at 31 December 2017, 31 Decemer 2016 and 1 January 2016, issued and paid up share capital comprised 23,316,420 ordinary shares with a par value of one Georgian Lari and share premium of GEL 4,257.

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year. The Group's diluted earnings per share equal basic earnings per share as there are no dilutive potential ordinary shares.

The following reflects the loss and share data used in the basic and diluted earnings per share computations:

	2017	2016
Net profit/loss attributable to ordinary equity holders	2,790	(30)
Weighted average number of ordinary shares	23,316,420	23,316,420
Basic and diluted profit/(loss) per share	**0.12**	**–**

13. Accounts payable

	2017	2016	1 January 2016
Payables to related parties (Note 17)	34,761	24,541	18,412
Settlement-related payables	3,748	3,374	3,049
Payables for property and equipment and intangible assets to related parties (Note 18)			408
Accruals for employee compensation	648	468	383
Operating taxes payable	332	356	280
Payables for property and equipment and intangible assets	3	351	68
Other payables	308	217	453
Total accounts payable	**39,800**	**29,307**	**23,053**
Current	39,800	29,297	22,635
Non-current	–	10	418

As at 31 December 2017, 31 December 2016 and 1 January 2016, the carrying amounts disclosed above reasonably approximate their fair values.

14. Revenues from contracts with customers

The Group provides services on network operation and maintenance as well as transaction processing and personalization services to its customers, i.e. JSC Bank of Georgia through network of self service terminals and other customers via cash desks. The Group has assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group.

(Thousands of Georgian Lari unless otherwise stated)

14. Revenues from contracts with customers (continued)

One of the Group's subsidiary, LLC Metro service plus, initially signed contract on transaction processing services with LLC Tbilisi Transport Company in 2006 for ten years. Between March 2016 and July 2017, LLC Metro Service Plus signed several additional agreements to extend the contract period until October 2018. According to these additional agreements, LLC Metro Service Plus was treated as sub-contractor and started to receive fees for transaction processing from its servicing related party bank, Bank of Georgia. In addition, LLC Metro service plus was obliged to transfer specified assets to Tbilisi City Hall free of charge. Accordingly, LLC Metro service plus recognised cost of these assets within other operating expenses in 2017 (see also Note 15).

On 15 September 2017, the Group's servicing related party bank, JSC Bank of Georgia, signed an agreement with Tbilisi City Hall for the exclusive right to operate the public transport payment system in Tbilisi. In accordance with the agreement, JSC Bank of Georgia will continue as the sole provider of payment support services to the public transportation network, and operate retail branches in Tbilisi metro stations for the next ten years. JSC Bank of Georgia will implement a modern payments system for public transport network in Tbilisi, including payment processing using Visa and MasterCard cards, and create a digital platform for ticket reservations and purchases through mobile applications.

In February 2018, JSC Bank of Georgia and LLC Metro service plus signed an agreement according to which the Group will be a sub-contractor and operate the public transport payment system in Tbilisi for a new ten year period starting from October 2018.

Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	2017	*2016*	*1 January 2016*
Accounts receivable	1,032	786	789
Advances received *	301	1	16

** Increase in advances received is primarily attributable to the advances received from the servicing related party bank for transaction processing services to be provided in 2018.*

Accounts receivable are recognised when the right to consideration becomes unconditional.

The Group applies practical expedient mentioned in IFRS 15.121 and does not disclose information about the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied, as the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

15. Other operating income and expense

	2017	*2016*
Net gain from sale of refurbishement services and equipment	182	303
Income from installation of ticket validators	849	–
Rent income	822	716
Revenue from sale of software	310	1,464
Interconnection fees	266	239
Other operating income	267	235
Total other operating income	**2,696**	**2,957**
Cost of assets transferred to Tbilisi City Hall (Note 14)	(1,301)	–
Repair and maintenance	(1,585)	(1,244)
Cost of inventory used	(792)	(1,551)
Communication networking	(655)	(720)
Operating taxes	(479)	(468)
Cash collection	(350)	(331)
Commission fees	(279)	(233)
Electricity, water, gas and other utilities	(272)	(267)
Professional services	(209)	(230)
Stolen and damaged banknotes	(187)	(279)
Net loss from disposal of property and equipment	(15)	(700)
Other operating expenses	(666)	(684)
Total other operating expense	**(6,790)**	**(6,707)**

(Thousands of Georgian Lari unless otherwise stated)

16. Salaries and other employee benefits

	2017	*2016*
Salaries and other benefits	8,054	8,229
Cash bonuses	754	744
Total salaries and other employee benefits	**8,808**	**8,973**

17. Taxation

In June 2016, amendments to the Georgian tax law in respect of corporate income tax became enacted. The amendments became effective from 1 January 2017 for all Georgian companies except the banks, insurance companies and microfinance organization, for which the effective date is 1 January 2019. Under the new regulation, corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia, rather than on profit earned. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of net distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax.

Following the enactment of the amendments, as at 31 December 2016, the Group reversed in full its deferred tax liability based on IAS 12 *Income Taxes* requirement to measure deferred taxes at 0% tax rate applicable for undistributed profits starting from 1 January 2017.

In 2017, the Group had no distributed profits (dividends). In 2016, the Group recognised income tax benefit resulting from reversal of deferred tax liability of GEL 245 in profit or loss.

The corporate income tax expense comprises:

	2017	*2016*
Current tax expense	–	209
Deferred tax benefit – origination and reversal of temporary differences	–	(245)
Income tax benefit	**–**	**(36)**

Management believes the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

18. Risk arising from financial instruments

In the course of its ordinary activities, the Group is exposed to credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. As at 31 December 2017, 31 December 2016 and 1 January 2016, the Group has no other significant financial assets subject to credit risk except for:

- Cash at banks and amounts due from credit institutions

  As at 31 December 2017, 31 December 2016 and 1 January 2016, the Group placed GEL 28,086, GEL 19,137 and GEL 14,249 with the related party bank, having ratings of *BB-/B* from Standard & Poor's, *B1/NP (FC) & Ba3/NP (LC)* from Moody's and *BB-/B* from Fitch Ratings.

- Accounts receivable

  Accounts receivable of the Group are mostly denominated in GEL and due within 3 months from the reporting date. No significant accounts receivable are either past due or impaired as at 31 December 2017 and 31 December 2016 and 1 January 2016.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet all its payment obligations when they fall due under normal or stress circumstances. The Group's liquidity risk is analysed and managed by management.

As at 31 December 2017 and 31 December 2016, the Group's all financial liabilities are due within 3 months and contractual undiscounted repayment obligations are equal to their carrying values.

Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group has no significant exposure to currency risk.

(Thousands of Georgian Lari unless otherwise stated)

19. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or if parties are subsidiaries of the same group. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties have been conducted on an arm's length basis.

The volumes of related party transactions and outstanding balances were as follows as at 31 December:

Entities under common control	*2017*	*2016*	*1 January 2016*
Assets			
Cash and cash equivalents	26,514	18,607	12,622
Amounts due from credit institutions	1,572	530	1,627
Accounts receivables	1,267	919	1,136
Prepayments and other current assets	12	10	17
	29,365	**20,066**	**15,402**
Liabilities			
Accounts payable	34,761	24,541	18,820
Advances received	654	–	–
	35,415	**24,541**	**18,820**

Accounts receivable principally represent receivables for transaction processing from JSC Bank of Georgia with payment terms in range between 5 to 30 calendar days.

Accounts payable principally represent settlement-related payables to JSC Bank of Georgia, which initially transfers funds to a merchants simultaneously with payments made by individuals using self service terminal or cash desks. These payables are generally settled within 3 working days.

As at 1 January 2016, the Group had non-current portion of payables for property and equipment of GEL 408 under the purchase agreement according to which the Group had unconditional right to defer payment by more than 12 month from the reporting date. These payables were accounted at amortised cost and were repaid in 2017 in full.

	2017	**2016**
Sales		
Revenue from transaction processing	16,174	13,430
Revenue from maintenance services	1,017	1,318
Revenue from personalisation services	529	499
	17,720	**15,247**
Other operating income		
Income from sale of property and equipment (a)	72	569
Other operating income	2,873	2,061
	2,945	**2,630**
Purchases and expenses		
Rent	(478)	(419)
Purchase of inventory	(444)	(846)
Other operating expenses	(939)	(958)
	(1,861)	**(2,223)**
Other items		
Interest income	52	10
Interest expense	(9)	(118)

(a) Income from sale of property and equipment is included in net gain from sale of property and equipment within other operating income.

In 2017 and 2016, compensation of key management personnel totalled GEL 509 and GEL 497 respectively. No transactions occurred with immediate or ultimate parent.

(Thousands of Georgian Lari unless otherwise stated)

20. Commitments and contingencies

Operating lease commitments – Group as a lessee

The Group has entered into operating leases on administrative building and other premises, with lease terms between one and three years. The Group has the option, under some of its leases, to lease the assets for additional one year.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2017	*2016*
Within one year	1,731	1,513
After one year but not more than three years	736	1,062
	2,467	**2,575**

Operating lease commitments – Group as a lessor

The Group has entered into operating leases, including sub-leases, on its premises with term of 1 year with automatical prolongation. Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2017 and 31 December 2016 comprised GEL 860 and GEL 750, respectively.

21. Events after the reporting date

Subsequent to 31 December 2017, the Group is expected to install 450 self service terminals at Tbilisi bus stops. This is supported by the fact that in September 2017, JSC Bank of Georgia won a tender and signed an agreement with Tbilisi City Hall for the modernisation of the public transportation payment system in Tbilisi. The Group participated in the tender as sub-contractor to JSC Bank of Georgia and will retain its existing 800 self service terminals (out of 2200+ self service terminals network) placed at municipal bus stops in Tbilisi as well as 450 self service terminals to be installed during the next ten years.

On 1 February 2018, the Group signed an agreement with JSC Bank of Georgia where it will continue to act as a sub-contractor in implementation, operation and maintenance of fare collection system throughout the public transportation network. This is supported by the fact that in September 2017 JSC Bank of Georgia won a tender for the exclusive right to operate the public transport payment system in Tbilisi for the next ten years. The Group participated in the proposal as a sub-contractor, thus retained the operations and presence across Tbilisi's public transport network, as well as exclusive right to sell and initiate transport cards for the next ten years.

On 29 May 2018, demerger of BGEO Group PLC became effective. As a result, the ultimate controlling party of the Group has changed from BGEO Group PLC to Bank of Georgia Group PLC.