

**JSC Express Technologies**

Consolidated IFRS Financial statements

*For the year ended 31 December 2019  
With Independent Auditor's Report*

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Management of JSC Express Technologies

### **Opinion**

We have audited the consolidated financial statements of JSC Express Technologies (the "Company") and its subsidiaries (together – "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and 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 consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Georgia, 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.

### **Emphasis of Matters**

*Transactions with Related Parties:* 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.

*Events After the Reporting Period:* We draw attention to note 20 to the consolidated financial statements, which describes the events after the reporting period and before approval of the financial statements. Our opinion is not modified in respect of this matter.

### **Other Information included in the Group's Management Report**

Management is responsible for the other information. Other information comprises the information included in the Group's Management Report other than the consolidated financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or materially noncompliant with the requirements of the respective regulatory normative acts, or otherwise appears to be materially misstated based on our knowledge obtained in the audit. If, based on the work we have performed on the other information, 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.

In our opinion, based on the work performed in the course of our audit, the information given in the Group's Management Report for the year ended 31 December 2019, in all material respects:

- ▶ Is consistent with the Group's consolidated financial statements for the year ended 31 December 2019; and
- ▶ Includes the information required by the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

## ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statement***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 consolidated 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 Company / Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 ISA 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 ISA, we exercise professional judgment and maintain professional scepticism 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 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 the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is Gela Mghebrishvili.

For and on behalf of Nexia TA LLC

Tbilisi, Georgia

31 July, 2020

**INDEPENDENT AUDITOR'S REPORT**

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**Opinion**

We have audited the consolidated financial statements of JSC Express Technologies (the "Company") and its subsidiaries (together – "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and 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 consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Georgia, 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.

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*Transactions with Related Parties:* 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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Management is responsible for the other information. Other information comprises the information included in the Group's Management Report other than the consolidated financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or materially non-compliant with the requirements of the respective regulatory normative acts, or otherwise appears to be materially misstated based on our knowledge obtained in the audit. If, based on the work we have performed on the other information, 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.

In our opinion, based on the work performed in the course of our audit, the information given in the Group's Management Report for the year ended 31 December 2019, in all material respects:

- ▶ Is consistent with the Group's consolidated financial statements for the year ended 31 December 2019; and
- ▶ Includes the information required by the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

Closer to you

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statement***

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In preparing the consolidated 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 Company / Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 ISA 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 ISA, we exercise professional judgment and maintain professional scepticism 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 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 the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

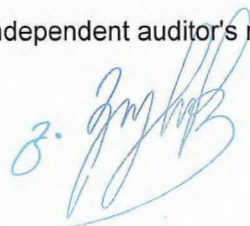
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is Gela Mghebrishvili.

For and on behalf of Nexia TA LLC

Tbilisi, Georgia

31 July, 2020



**Closer to you**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**
*(Thousands of Georgian Lari)*

	<b>Notes</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	5	33,333	26,324
Intangible assets	6	8,412	6,349
Right of use assets		424	-
Prepayments for property, equipment and intangible assets	8	2,043	2,193
		<b>44,212</b>	<b>34,866</b>
<b>Current assets</b>			
Inventories	7	4,881	3,710
Prepayments and other current assets	8	1,860	1,415
Current income tax asset		27	27
Accounts receivable	9	1,805	1,903
Amounts due from credit institutions	10	508	1,037
Cash and cash equivalents	11	32,375	33,156
		<b>41,456</b>	<b>41,248</b>
<b>Total assets</b>		<b>85,668</b>	<b>76,114</b>
<b>Equity</b>			
Share capital	12	23,316	23,316
Share premium	12	4,257	4,257
Retained earnings		12,808	9,256
<b>Total equity attributable to shareholder of the Group</b>		<b>40,381</b>	<b>36,829</b>
Non-controlling interests		164	145
<b>Total Equity</b>		<b>40,545</b>	<b>36,974</b>
<b>Non-current liabilities</b>			
Advances received		12,250	4,450
Lease liabilities		82	-
		<b>12,332</b>	<b>4,450</b>
<b>Current liabilities</b>			
Accounts payable	13	28,116	30,270
Advances received		4,256	4,372
Lease liabilities		371	-
Dividends payable		33	33
Current income tax liabilities		15	15
		<b>32,791</b>	<b>34,690</b>
<b>Total liabilities</b>		<b>45,123</b>	<b>39,140</b>
<b>Total equity and liabilities</b>		<b>85,668</b>	<b>76,114</b>

The consolidated financial statements on pages 1 to 22 were approved by the management of JSC Express Technologies on 31 July and signed on its behalf by:

Dimitri Lomjaria

Chief Executive Officer

31 July 2020



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**
*(Thousands of Georgian Lari)*

	<b>Notes</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
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Dimitri Lomjaria

Chief Executive Officer

31 July 2020



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**
*(Thousands of Georgian Lari)*

	<b>Notes</b>	<b>2019</b>	<b>2018</b>
Revenue from transaction processing		28,110	24,537
Revenue from maintenance services		874	1,246
Fees from sale and initiation of transport cards		556	677
Revenue from fleet management		603	492
Revenue from personalisation services		603	482
<b>Total revenues</b>	14	<b>30,746</b>	<b>27,434</b>
Other operating income	15	2,277	2,152
Salaries and other employee benefits	16	(11,835)	(10,481)
Rent		-	(2,086)
Depreciation and amortisation	5, 6	(6,459)	(4,353)
Other operating expenses	15	(10,099)	(7,547)
<b>Operating profit</b>		<b>4,630</b>	<b>5,119</b>
Interest income		22	63
Interest expense		(1,083)	(525)
Foreign exchange loss		2	(74)
<b>Profit before income tax expense</b>		<b>3,571</b>	<b>4,583</b>
Income tax expense	17	-	-
<b>Total comprehensive income for the year</b>		<b>3,571</b>	<b>4,583</b>
<b>Attributable to:</b>			
Equity holders of the parent		3,552	4,574
Non-controlling interests		19	9
<b>Basic and diluted earnings per share in GEL</b>	12	<b>0.15</b>	<b>0.20</b>
Other comprehensive (loss)/income		-	-
<b>Total comprehensive income for the year</b>		<b>3,571</b>	<b>4,583</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		3,552	4,574
Non-controlling interests		19	9

*The accompanying notes on pages 9 to 22 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**
*(Thousands of Georgian Lari)*

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Non- controlling interests</i>	<i>Total</i>
<b>31 December 2017</b>	<b>23,316</b>	<b>4,257</b>	<b>4,682</b>	<b>136</b>	<b>32,391</b>
Profit for the period	-	-	4,574	9	4,583
<b>31 December 2018</b>	<b>23,316</b>	<b>4,257</b>	<b>9,256</b>	<b>145</b>	<b>36,974</b>
Profit for the period			3,552	19	3,571
<b>31 December 2019</b>	<b>23,316</b>	<b>4,257</b>	<b>12,808</b>	<b>164</b>	<b>40,545</b>

*The accompanying notes on pages 9 to 22 form an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**
*(Thousands of Georgian Lari)*

	<b>Notes</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		3,571	4,583
<b>Adjustments to reconcile profit before tax to net cash flows:</b>			
Depreciation and amortisation		6,459	4,353
Finance cost		52	
Net loss on disposal of property and equipment	15	(48)	(438)
Impairment charge of Accounts receivable		8	
<b>Working capital adjustments:</b>			
Decrease in inventories		(1,171)	(1,708)
Decrease in prepayments and other current assets		(445)	161
(Increase)/decrease in accounts receivable		90	(233)
Increase in accounts payable and other liabilities		(2,270)	(1,366)
<b>Net cash flows from operating activities before income tax</b>		<b>6,246</b>	<b>5,352</b>
Interest paid		7,749	-
Income tax paid			(6)
<b>Net cash flows from operating activities</b>		<b>13,995</b>	<b>5,346</b>
<b>Cash flows used in investing activities</b>			
Purchase of property and equipment and intangible assets		(14,956)	(17,948)
Proceeds from sale of property and equipment		90	1,689
(Placement)/withdrawal of amounts due from credit institutions		529	535
<b>Net cash used in investing activities</b>		<b>(14,337)</b>	<b>(15,724)</b>
<b>Cash flows used in financing activities</b>			
Payments of principal portion of lease liabilities		(439)	-
Dividends paid		-	-
<b>Net cash used in financing activities</b>		<b>(439)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>(781)</b>	<b>(10,378)</b>
Net foreign exchange difference			-
<b>Cash and cash equivalents, beginning</b>	<b>11</b>	<b>33,156</b>	<b>43,534</b>
<b>Cash and cash equivalents, end</b>	<b>11</b>	<b>32,375</b>	<b>33,156</b>

*The accompanying notes on pages 9 to 22 form an integral part of these consolidated financial statements.*

**For the year ended 31 December 2019**

(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 referred 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 2019 and 31 December 2018, the Company was wholly owned by JSC BG Financial. The members of the supervisory board of the Group hold no shares of the Group.

As at 31 December 2019 the Company’s ultimate controlling party is Bank of Georgia Group PLC, a UK based entity listed on the London Stock Exchange. As at 31 December 2018 the Company’s ultimate controlling party was 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 2019 and 31 December 2018 include the following subsidiaries with the following effective ownership interests:

<b>Subsidiary</b>	<b>2019</b>	<b>2018</b>	<b>Country</b>	<b>Industry</b>
JSC Georgian Card	99.46%	99.46%	Georgia	Processing and personalisation services
LLC Direct Debit Georgia	99.46%	99.46%	Georgia	Self service terminal network operations, maintenance and transactions processing
LLC Metro Service Plus	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%	Georgia	Data exchange using its fiber optic cable throughout Tbilisi Metro, software development

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), unless otherwise stated.

**Going concern**

The Management of the Company has made an assessment of the Group’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the Consolidated Financial Statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together – “the Group”) as at 31 December 2019. 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.

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.

**For the year ended 31 December 2019**

*(Thousands of Georgian Lari unless otherwise stated)*

**2. Basis of preparation** (continued)**Basis of consolidation** (continued)

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

The financial statements of the subsidiaries is 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 subsidiaries, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiaries, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiaries;
- 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.

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.

**For the year ended 31 December 2019***(Thousands of Georgian Lari unless otherwise stated)***3. Summary of significant accounting policies (continued)****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.

**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:

	<b>Years</b>
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.

**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 instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 retrospectively, with an initial application date of 1 January 2018. Adoption of the new standard did not have effect on the Group's financial statements as at 31 December 2019.

**Financial assets***Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures

**For the year ended 31 December 2019**

*(Thousands of Georgian Lari unless otherwise stated)*

**3. Summary of significant accounting policies (continued)****Financial assets (continued)**

a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

***Financial assets at amortised cost (debt instruments)***

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortised cost includes trade receivables.

Trade receivables are amounts due from customers for provision of service or delivery of goods in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

***Impairment of financial assets***

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an



**For the year ended 31 December 2019**

*(Thousands of Georgian Lari unless otherwise stated)*

**3. Summary of significant accounting policies (continued)****Financial assets (continued)**

approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities***Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

**Investment in subsidiaries**

Investment in subsidiaries are stated at cost less allowance for impairment in the statement of financial position. The Group evaluates recoverability of investment in subsidiaries whenever indicators of impairment are present. Indicators of impairment may include declines in revenues, earnings or cash flows or material adverse changes in the economic or political situation in a country of operations, which may indicate that the carrying amount of investment is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future undiscounted cash flows associated with the respective investment are compared to their carrying amounts to determine if a write-down to recoverable amount is necessary.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash in transit, cash at banks, cash on hand and short-term deposits 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.

**For the year ended 31 December 2019***(Thousands of Georgian Lari unless otherwise stated)***3. Summary of significant accounting policies (continued)****Cash and cash equivalents (continued)**

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. 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.

**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 Group early adopted IFRS 15 Revenue from Contracts with Customers starting from 1 January 2016.

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

**For the year ended 31 December 2019**

*(Thousands of Georgian Lari unless otherwise stated)*

**3. Summary of significant accounting policies (continued)****Revenue recognition (continued)***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 merchant and further transfer of such cash amounts to the related party bank which funds merchants simultaneously 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.

*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 monthly 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 15).

**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 2019 and 2018 were 2.6766 and 2.5922 GEL to USD, respectively.

**Application of new standards, interpretations and amendments**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by IASB that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the Group:

**IFRS 16 Leases** - The Group has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 *Leases* and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a

**For the year ended 31 December 2019***(Thousands of Georgian Lari unless otherwise stated)***3. Summary of significant accounting policies (continued)****Application of new standards, interpretations and amendments (continued)**

depreciation charge for the right-of-use assets (included in other operating expenses) and an interest expense on the recognised lease liabilities (included in other operating expenses). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

*Impact of adoption*

IFRS 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

Right-of-use asset (IFRS 16)	640
Lease liability (IFRS 16)	640
Reduction in opening retained profits as at 1 January 2019	-

When adopting IFRS 16 from 1 January 2019, the Group has applied the following practical expedients:

- accounting for leases with a remaining lease term of 12 months as at 1 January 2019 as short-term leases;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

**4. Significant accounting judgments, estimates and assumptions**

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 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. 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.

**For the year ended 31 December 2019***(Thousands of Georgian Lari unless otherwise stated)***5. Property and equipment**

The movements in the Group's property and equipment were as follows:

	<i>Self service terminals and non- current spare parts</i>	<i>Land and buildings</i>	<i>Furniture and fixtures</i>	<i>Computers and office equipment</i>	<i>Motor vehicles</i>	<i>Leashold improve- ments</i>	<i>Other equip- ment</i>	<i>Total</i>
<b>Cost</b>								
<b>31 December 2017</b>	<b>19,441</b>	<b>929</b>	<b>547</b>	<b>4,050</b>	<b>336</b>	<b>692</b>	<b>431</b>	<b>26,426</b>
Additions	1,165	13	167	2,170	121	76	9,740	13,452
Disposals	(1,772)	-	(47)	(611)	(94)	(3)	(369)	(2,896)
<b>31 December 2018</b>	<b>18,834</b>	<b>942</b>	<b>667</b>	<b>5,609</b>	<b>363</b>	<b>765</b>	<b>9,802</b>	<b>36,982</b>
Additions	797	14	161	1,900	669	83	7,593	11,217
Disposals	(39)	-	(64)	(128)	(67)	(14)	11	(301)
Transfers	-	-	1,374	196	-	153	(1,723)	-
Write offs	(201)	-	(1)	(10)	-	-	(21)	(233)
<b>31 December 2019</b>	<b>19,391</b>	<b>956</b>	<b>2,137</b>	<b>7,567</b>	<b>965</b>	<b>987</b>	<b>15,662</b>	<b>47,665</b>
<b>Accumulated depreciation and impairment</b>								
<b>31 December 2017</b>	<b>6,296</b>	<b>23</b>	<b>303</b>	<b>2,094</b>	<b>153</b>	<b>211</b>	<b>70</b>	<b>9,150</b>
Depreciation charge	2,020	9	66	869	70	100	19	3,153
Disposals	(867)	-	(46)	(602)	(82)	(3)	(45)	(1,645)
<b>31 December 2018</b>	<b>7,449</b>	<b>32</b>	<b>323</b>	<b>2,361</b>	<b>141</b>	<b>308</b>	<b>44</b>	<b>10,658</b>
Depreciation charge	2,004	10	148	1,124	137	130	612	4,165
Disposals	(25)	-	(51)	(127)	(53)	(14)	12	(258)
Write off	(201)	-	(1)	(10)	-	-	(21)	(233)
<b>31 December 2019</b>	<b>9,227</b>	<b>42</b>	<b>419</b>	<b>3,348</b>	<b>225</b>	<b>424</b>	<b>647</b>	<b>14,332</b>
<b>Net book value:</b>								
<b>31 December 2018</b>	<b>11,385</b>	<b>910</b>	<b>344</b>	<b>3,248</b>	<b>222</b>	<b>457</b>	<b>9,758</b>	<b>26,324</b>
<b>31 December 2019</b>	<b>10,164</b>	<b>914</b>	<b>1,718</b>	<b>4,219</b>	<b>740</b>	<b>563</b>	<b>15,015</b>	<b>33,333</b>

**6. Intangible assets**

	<i>Cost</i>	<i>Amortisation charge</i>	<i>Net book value</i>
<b>31 December 2017</b>	<b>7,177</b>	<b>(2,239)</b>	<b>4,938</b>
Additions / (Amortisation charge)	2,611	(1,200)	
Disposals	(294)	294	
<b>31 December 2018</b>	<b>9,494</b>	<b>(3,145)</b>	<b>6,349</b>
Additions / (Amortisation charge)	3,890	(1,827)	
Disposals	(508)	508	
<b>31 December 2019</b>	<b>12,876</b>	<b>(4,464)</b>	<b>8,412</b>

**7. Inventories**

	<i>31-Dec-2019</i>	<i>31-Dec-2018</i>
Spare parts	4,048	2,851
Plastic transport cards	119	133
Other	714	726
<b>Total inventories</b>	<b>4,881</b>	<b>3,710</b>

**For the year ended 31 December 2019***(Thousands of Georgian Lari unless otherwise stated)***8. Prepayments and other current assets**

	<b><u>31-Dec-2019</u></b>	<b><u>31-Dec-2018</u></b>
Operating taxes receivable	1,051	1,053
Prepayments for services	339	135
Prepayments for inventories	367	181
Others	103	46
<b>Total prepayments and other current assets</b>	<b><u>1,860</u></b>	<b><u>1,415</u></b>

**9. Accounts receivable**

	<b><u>31-Dec-2019</u></b>	<b><u>31-Dec-2018</u></b>
Receivables from related parties (Note 19)	1,321	1,388
Other receivables	667	680
	1,988	<b>2,068</b>
Less – Allowance for impairment	(183)	(165)
<b>Total accounts receivable, net</b>	<b><u>1,805</u></b>	<b><u>1,903</u></b>

As at 31 December 2019 and 31 December 2018, 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 2019, 31 December 2018, Group's accounts receivable with an initial carrying value of GEL 139 thousand and GEL 21 thousand, respectively, were impaired and fully provided for, which is included in other operating expenses line in consolidated statement of comprehensive income.

**10. Amounts due from credit institutions**

As at 31 December 2019, 31 December 2018, amounts due from credit institutions were represented by short-term placements with banks with original maturity from 6 to 12 months. In 2019 and 2018, the Group earned interest income of GEL 63 and GEL 18, respectively.

**11. Cash and cash equivalents**

	<b><u>31-Dec-2019</u></b>	<b><u>31-Dec-2018</u></b>
Settlement-related cash in transit	24,466	24,048
Settlement-related cash on a related party bank account (Note 19)	343	2,596
Cash on a related bank account	6,320	5,217
Cash on a non-related bank account	1	197
Cash on hand	1,245	1,098
<b>Total cash and cash equivalents</b>	<b><u>32,375</u></b>	<b><u>33,156</u></b>

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

Balances with Related Parties are disclosed in Note 19.

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.

**For the year ended 31 December 2019***(Thousands of Georgian Lari unless otherwise stated)***12. Equity**

As at 31 December 2019 and 31 December 2018 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 profit and share data used in the basic earnings per share computations:

	<b>2019</b>	<b>2018</b>
Net profit attributable to ordinary equity holders	3,571	4,583
Weighted average number of ordinary shares	23,316,420	23,316,420
<b>Basic and diluted earnings per share in GEL</b>	<b>0.15</b>	<b>0.20</b>

**13. Accounts payable**

	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
Payables to related parties (Note 17)	25,675	25,086
Settlement-related payables	475	3,188
Accruals for employee compensation	913	870
Operating taxes payable	511	447
Payables for property and equipment and intangible assets	266	341
Other payables	276	338
<b>Total accounts payable</b>	<b>28,116</b>	<b>30,270</b>
Current	28,116	30,270
Non-current	-	-

As at 31 December 2019 and 31 December 2018, 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.

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.



**For the year ended 31 December 2019***(Thousands of Georgian Lari unless otherwise stated)***14. Revenues from contracts with customers (Continued)***Contract assets and liabilities*

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

	<b>2019</b>	<b>2018</b>
Accounts receivable	1,805	1,838
Advances received	16,506	8,822

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**

	<b>2019</b>	<b>2018</b>
Net gain/(loss) from sale of refurbishment services and equipment	(12)	437
Rent income	1,312	953
Revenue from sale of software	162	206
Interconnection fees	343	321
Other operating income	472	235
<b>Total other operating income</b>	<b>2,277</b>	<b>2,152</b>
Lease like services with undefined contract or no space	(1,791)	-
Repair and maintenance	(1,576)	(1,758)
Cost of inventory used	(1,372)	(1,355)
Communication networking	(1,265)	(792)
Operating taxes	(772)	(615)
Commission fees	(354)	(362)
Cash collection	(340)	(360)
Professional services (Other)	(327)	(178)
Electricity, water, gas and other utilities	(304)	(215)
Net loss from disposal of property and equipment	(653)	-
Stolen and damaged banknotes	(181)	(170)
Professional services (Audit)	(35)	(115)
Allowance for receivables	(8)	(114)
Cost of assets transferred to Tbilisi City Hall (Note 14)	-	(409)
Other operating expenses	(1,121)	(1,104)
<b>Total other operating expense</b>	<b>(10,099)</b>	<b>(7,547)</b>

**16. Salaries and other employee benefits**

	<b>2019</b>	<b>2018</b>
Salaries and other benefits	10,938	9,600
Cash bonuses	897	881
<b>Total salaries and other employee benefits</b>	<b>11,835</b>	<b>10,481</b>

**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 2019 and 2018, the Group had no distributed profits (dividends). 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.

**For the year ended 31 December 2019***(Thousands of Georgian Lari unless otherwise stated)***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 2019 and 31 December 2018, 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 2019, 31 December 2018, the Group placed GEL 7,171 and GEL 8,850 with the related party bank respectively, having Long term ratings of *BB-* from Standard & Poor's, *Ba3/NP (LC)* from Moody's and *BB-* from Fitch Ratings.
- Accounts receivable  
Accounts receivable of the Group and the Company 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 2019 and 31 December 2018.

**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 2019 and 31 December 2018, 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.

**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 of the Group were as follows as at 31 December:

	<u>31-Dec-2019</u>	<u>31-Dec-2018</u>
	<u>Entities under</u>	<u>Entities under</u>
	<u>common control</u>	<u>common control</u>
<b>Assets</b>		
Cash and cash equivalents	6,662	7,813
Amounts due from credit institutions	-	1,037
Accounts receivables	1,321	1,388
Prepayments and other current assets	-	-
	<u><b>7,983</b></u>	<u><b>10,238</b></u>
<b>Liabilities</b>		
Accounts payable	95	25,086
Advances received	-	4,450
	<u><b>95</b></u>	<u><b>29,536</b></u>

**For the year ended 31 December 2019***(Thousands of Georgian Lari unless otherwise stated)***19. Related party transactions (continued)**

The following table provides the total amount of the Group's transactions that have been entered into with related parties:

	<b>2019</b>	<b>2018</b>
	<b>Entities under common control</b>	<b>Entities under common control</b>
<b>Sales</b>		
Revenue from transaction processing	24,461	10,107
Revenue from maintenance services	2,095	454
Revenue from personalisation services	479	422
	<b>27,034</b>	<b>10,983</b>
<b>Other operating income</b>		
Income from sale of property and equipment (a)	22	7
Other operating income	1,633	4,626
	<b>1,655</b>	<b>4,633</b>
<b>Purchases and expenses</b>		
Rent	–	313
Purchase of inventory	12	–
Other operating expenses	842	420
	<b>853</b>	<b>733</b>
<b>Other items</b>		
Interest income	32	–
Interest expense	–	23

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

(b) Income from sale of inventory is included in net gain from sale of inventory within other operating income.

In 2019 and 2018, compensation of the Group's key management personnel totalled GEL 382 and GEL 441 respectively.

**20. Events after the reporting date**

In June 2020, the Group signed an agreement with related party bank about charging fees for transactions, which is carried out using Groups terminals, namely: before May 1, 2020, the fee for 1 transaction was 0.1 GEL, and after that date, it increased to 0.13 GEL. Also, in order to maintain the network, related party Bank will pay 250 thousand per one month, in the case of 2 consecutive months, the amount of the transactions will not be more than 5.5 million.

During 2020, new coronavirus so-called COVID-19 has spread across the world, which was officially categorized as a pandemic by the World Health Organization (WHO) on March 11, 2020. Due to this circumstance, one-month the state of emergency was declared in Georgia on March 21, 2020. As a result of the situation, has faced challenges. The Group believes it has all the resources needed to continue as a going concern. However, it is too early to make a precise prediction of how the crisis will affect its performance. It is also uncertain how long it will take to get out of the crisis; such a global integrated crisis is the first in the history of Georgian business and no corporate experience exists.

There have been no other subsequent events that need to be disclosed in the financial statements.



**JSC Express Technologies**

**The Group's Management Report**

**2019**

# The Group's Management Report

## Introduction

This document incorporates the essential components related to the JSC Express Technologies ("the Company") and its subsidiaries (together referred to as "the Group"), such as the review of the activities, achievements based on factual indicators, development outlooks, vision and future plans. It also describes the established standards of corporate ethics and the business risks that might impact the Group's performance.

### CEO's Statement

I am pleased to present the Group's management report. The purpose of the report is to demonstrate the range of our activities and our will to expand the existing business while ensuring the quality and efficiency.

Our resources are focused on the establishment of innovations, cost efficiency and safety. I am proud that within the Group and its affiliates we have a well-formed mission, the vision, which is based on high values, and corporate social responsibility.

Thank you for your interest; we are ready to deal with any challenge in order to gain our customers', partners' and employees' trust and respect.

## Business Overview

### About Us

JSC Express Technologies was established under the Georgian legislation in 2007 and incorporates the subsidiary companies operating in the electronic payments industry.

The aim of creating the Group was to establish the advanced standards of revolutionary solutions and information technologies in the Georgian payment system. Our services enable clients to use modern payment systems, reduce operating costs, and improve risk management. Along with a customer-friendly approach, our advantage is the effective protection of the customers' personal data and their property.

The companies incorporated in the Group have been providing services to financial institutions, government agencies, telecommunications companies, SMEs and individuals since 2006.

The companies incorporated in the Group:

JSC Georgian Card - [www.GeorgianCard.ge](http://www.GeorgianCard.ge)

Direct Debit Georgia LLC - [www.DDG.ge](http://www.DDG.ge)

Metro Service + LLC - [www.MS+.ge](http://www.MS+.ge)

Didi Dighomi Research Center LLC

The Group constantly introduces innovative services for clients and not only for them. The public widely uses services, such as software and banking applications for smartphones.

### What We Do

#### ATM and POS terminal network management

The JSC Georgian Card services include systemic support and management of ATMs and POS terminals, including local networks and wireless units. The team of application support specialists and technicians is monitoring the operations of all the ATMs and POS terminals within the system in real time and ensures continuity and unity.

#### Transport fare collection automated systems

The Metro Service + LLC's transport fare collection system in municipal transport reduces operating expenses, optimises the revenue received from transport fare, increases profitability and travel comfort. The transport fare collection system, through the centralised clearing center can process all payments electronically making use of cash unnecessary, thus removes the need of daily encashment and need for passengers to stand in queue for paper ticket.

## Business Overview (continued)

### Customer-friendly software

We are focused on customer's awareness; provide consultations on the design and infrastructure of a new software product, as well as further support and communication. The customer support group is available 24/7.

Our team of engineers can create specifically tailored, stand-alone or integrated programs to solve the unique challenges of each client, including:

- E-commerce solutions;
- Mobile banking applications;
- Payment, information distribution and mailing apps for smartphones;
- Creation of internet-based platforms;
- Other payments, transport fee collection solutions.

### Network status management

The Network Status Management Program created within the Group is a universal network monitoring system that monitors in real time the operational status of all ATMs and terminals within the customers, systems. For financial institutions, corporations, payments providers and payment network operators, the network status management is the best way to efficiently and economically manage the system monitoring, their data centers and information technology infrastructure, providing many benefits:

- Possibility to monitor payment devices;
- Real time monitoring of network devices;
- Quick and pro-active response to shutdowns and other technical faults.

### Transaction Processing

The basic function of JSC Georgian Card as the processing center is to provide secure interconnections with affiliates and card holding merchants and other service providers, with an approach that is not only flexible and rapid, but also increases the value of functionality and comfort for the service provider and the individual card holder.

The service implies processing of card transactions of banks, microfinance organizations, loyalty service providers and other financial institutions included in the network of the JSC Georgian Card; provision of clearing information/reporting for the member financial institutions; monitoring and processing of the disputable (fraudulent, claimed transactions) and correcting operations of the member banks, taking into consideration the latest requirements of the international payment systems.

Our solution of the card transactions system includes:

- Processing of operations;
- Management of ATM/POS terminal network;
- Purchase, supply and support of devices;
- Three-dimensional (3-D) security service;
- Fraud protection system;
- Trade facilities and card processing services.

A wide range of processing devices operate on Visa, MasterCard, American Express, UPI, JCB and Diner's Club debit and credit cards (including contactless), in particular, magnetic and chip card applications.

### Card personalisation

JSC Georgian Card provides personalisation of banking and non-banking (discount, club, accrual, identification, etc.) cards. The embossing of the of non-bank cards is done in accordance with the design determined by the customer.

The modern equipment existing at JSC Georgian Card enables full embossing of the design on the cards with no limitation in colors, as well as any type of embossing that meets international standards.

We can print any quantity of personalised and/or non-personalised cards within the Group. We offer our clients a convenient combination of innovative technologies and proactive services through our multi-platform infrastructure and international partners.

## Business Overview (continued)

### What We Do (continued)

#### Card personalisation (continued)

To ensure the customer post-sale support, we provide project management and consulting services, by means of which we can manage all processes related to the international payments with partners, card certification and licensing, select the equipment and supplier, issue cards, plan market maintenance and support of the card programs.

#### Biometrics

JSC Georgian Card was the first in the region to implement and run pilot version for products based on biometrics in 2019. Pilot versions were implemented for cash withdrawal services from ATMs and payments for Tbilisi Metro passes. After pilot testing programs are finalized, the Processing Center plans to offer the already mentioned services widely to customers.

#### Multifunctional self-service terminals

The Company operates approximately 3,200 self-service terminals, ensures technical support and maintenance of that SSTs as well as placement of them in the best locations.

The self-service terminals available throughout Georgia, are tailored to demands of modern people and allow the access to any type of payable service cost in a short time and with small efforts. Payment services are provided for the following categories of service providers as well as for many others:

- Utility and cable TV providers;
- Mobile, telephone and internet operators;
- Taxes included in the state budget;
- Parking and transportation cost;
- Banking services such as deposits, credit and other payments;
- Charitable donations;
- Tickets for cinema, theater and other events;
- As of June 2018 People can also purchase METROMONEY Cards from dispensers attached to the self-service terminals.

This is just a main part of multifunctional services are updated frequently.

In 2016 the company won the competition announced by the Public Service Hall, which included placement of self-service terminals at the Public Service Halls throughout the country. Since 2018 our cashier-operators serve customers at the Customs Clearance Zone. In addition, for many years now we have been supporting the City Hall/municipality transport fee payment services, which includes the receipt of the payments determined for the passengers through the self-service terminals.

The Company also supports the self-service terminal network of JSC Bank of Georgia.

#### Corporate Clients

Since 2017 the Company has implemented a project, which includes placement of specialized self-service terminals at largest chain gas stations such as Gulf Georgia, SOCAR Georgia Petroleum, Neogas, Rompetrol NV.

We have added new service in 2019: placement and minor technical support including supply of expendable materials of banking POS terminals. We are also offering placement and minor technical support for the so called “smart” POS terminals that can be used as cash register as well as banking.

#### Cashier-Operators

The Company has created a “one-stop” principle for ensuring the quality and fast service, which implies placement of cashier-operators at the Public Service Halls, Service Development Agencies and Batumi Customs Clearance Zone.



## Business Overview (continued)

### What We Do (continued)

#### Our Experience

In 2006, Metro Service+ LLC. and Tbilisi Metro signed the contract that aims to provide transport fee collection and administration. Within the framework of the project Metro Service+ carried out modernisation of Tbilisi Metro services and infrastructure, including the system of card payments.

In 2009, Metro Service+ LLC. signed the contract with Tbilisi Bus, in frames of which 1400 cash machines and GPS/GPRS modules were installed in 700 buses, parallel data transmission system was introduced. The project provides transmission of the GPS coordinates of a bus to the transport company server.

Since 2009 the card refilling network system (TOP UP) has been developed based on the innovative top-up system in express payment machines. The 1500 terminals are located in Tbilisi and 1300 in the regions.

In 2011, the 10-year exclusive contract was signed with Tbilisi minibus management companies, in frames of which the card system was launched in up to 2000 minibuses.

In 2011, together with the Tbilisi City Hall and the transport company, the passenger voucherisation project was implemented, in frames of which 5 GEL for municipal transport fee payment were credited on the transport cards of up to 1.5 million passengers.

In 2011 JSC Bank of Georgia released a universal card Express Card with the transport fee payment function. The holder of this card no longer needs to top up the transport card; the transport fee is already deducted from the bank account where the salary or other income is transferred. In addition, the owner of the Express Card can use bonus points for transport, which he or she has collected with various merchants.

In 2012 the card system was introduced at Rike-Narikala cable lift and in 2016 at the restored Vake-Turtle Lake cable lift.

In 2016, the modern card validators were installed in 143 new MAN buses and 130 old cash machines were replaced with new in Bogdan buses.

In 2016, the universal banking card, School Card, was issued with a transport function. In the same year, the universal bank stickers with the transport function were released.

Since January 2017, Batumi municipal transport has moved to the new card system, in particular, modern card validators have been installed in 150 buses. For control of payments, special devices were provided to the bus controllers and conductors. The modern equipped service center is arranged where standard passenger cards “Batumi Card”, as well as personalised cards are issued, on which the holder’s photo is applied. The payment system created in frames of MS+ transport project undergoes constant changes, updates and adaptations. Since 2006, up to 150 upgrades and changes have been made, including major changes to the tariff scheme:

- Launching the departure-based discounted system;
- Launching the travel-based discount system;
- Launching the time-based discount system.

Supporting up to 20 different types of cards has been implemented in Metro Service+ for various categories of passengers through the emission of bank cards as well as ordinary transport cards. The company has the highly qualified technical team, which in the shortest time ensures technical services of payment machines in Tbilisi and Batumi municipal buses and quickly responds to the faults. Metro Service+ is continually implementing procedures related to improving quality of service.

## Business Overview (continued)

### What We Do (continued)

#### Our Experience (continued)

In 2017 JSC Bank of Georgia won the tender announced by Tbilisi City Hall for the modernisation of the public transport fee payment system. Within the framework of the project, the transport fee payment system of all types of Georgian and foreign cards will be launched on Tbilisi Metro, buses and cable lifts. We equipped the municipal transport with new cash machines and card reader validators, special mobile applications are being tested for travel planning and tickets purchasing functions. Metro Service +, as the subcontractor of the Bank is responsible for the fulfillment of the tender terms and further operation. However, other group members - JSC Georgian Card and Direct Debit Georgia LLC- provide the support within the project. By the joint efforts of the Group all international bank cards are accepted in the public transport fee payment system; the purchase passenger cards and top-up of the limit of transport cards are possible almost all over Georgia.

Starting October 2018, fare payment system by means of all types of Georgian and foreign cards will be activated in Tbilisi metro, buses and cableways.

With participation of JSC Georgian Card the owners of JSC Bank of Georgia's VISA and MasterCard are able to make payments with Garmin's watches. Paying with a non-contact smartwatch is fast, safe and comfortable, all to be done is to place the watch on payment terminal. Since 2019 JSC Bank of Georgia made it available for its clients to use Apple Pay as a payment method. With Apple Pay instant payments can be made using any Apple product.

#### Financial Overview

The Group is within the Bank of Georgia Group PLC, which is listed on the London Stock Exchange. Consequently, according to the founder's demand, the accounting policy of the Group has been compliant with the IFRS since its establishment. In 2018 the first audited financial statements in accordance with the IFRS were published and audit service was performed by EY Georgia LLC. In December 2018 the Group changed provider of audit service to LLC NEXIA TA. The published report includes the financial standing for the years 2018-2017. The short financial information of the Group is given below:

##### Consolidated Statement of Financial Position

	<u>2019</u>	<u>2018</u>
<b>Total assets</b>	<b>85,668</b>	<b>76,114</b>
<b>Total equity attributable to shareholder of the Group</b>	<b>40,381</b>	<b>36,829</b>
Non-controlling interests	164	145
<b>Total equity</b>	<b>40,545</b>	<b>36,974</b>
<b>Total liabilities</b>	<b>45,123</b>	<b>39,140</b>
<b>Total equity and liabilities</b>	<b>85,668</b>	<b>76,114</b>

##### Consolidated Statement of Comprehensive Income

	<u>2019</u>	<u>2018</u>
Total revenues	33,023	29,586
Total operating expenses	(28,393)	(24,467)
<b>Operating profit/(loss)</b>	<b>4,630</b>	<b>5,119</b>
Other financial items	(,1059)	(536)
<b>Profit/ (loss) before income tax expense</b>	<b>3,571</b>	<b>4,583</b>
Income tax benefit	-	-
<b>Profit/(loss) for the year</b>	<b>3,571</b>	<b>4,583</b>
<b>Other comprehensive (loss)/income to be reclassified to the profit or loss in subsequent periods</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>3,571</b>	<b>4,583</b>
Attributable to:		
- Equity holders of the parent	3,552	4,574
- Non-controlling interests	19	9

According to the data of 2019, the equity of JSC Express Technologies Group has increased by GEL 3.5 million (2018 - GEL 4.5 million), and the total revenue has increased by GEL 3.4 million (2018 - GEL 5.9 million).

## Business Overview (continued)

### What We Do (continued)

#### Compliance with international standards

JSC Georgian Card is certified with MasterCard, VISA, AmEx, Diners Club and Union Pay International payment systems.

In order to protect customers and improve the payment security, as well as to minimize the probability of fraud, Georgian Card has the EMV standard for both contact and contactless cards. The standard is an additional security measure, which reduces the expenses related to bank fraud for its member financial institutions.

JSC Georgian Card is one of the first processing centers in Georgia, which complies with the Payment Card Industry Data Security Standards (PCI DSS). From 2010 to date, it has been successfully passing the Global Payment Security Standards compliance audit. The regular and consistent compliance with the PCI DSS policy and procedures facilitates JSC Georgian Card to be a reliable partner for the member organizations, to ensure performance of safe transactions and to protect cardholders from unreasonable use of their data.

JSC Georgian Card is also a member of the VISA PIN Security Program, the audit of which ensures the confidentiality of the cardholder's identification number (PIN) cryptography/ encryption keys and other personal data while performing card operations. VISA PIN Security Certificate confirms that the infrastructure and the operation of the equipment connected in the system meets the international standards. The company's payment system functions properly and ensures the continuity of the operational processes with complete compliance with the security standards and procedures. Remoteness of servers and the system/data duplication/storage procedures are in full compliance with the payment system standards as well as the recommendations of the world's leading technological and information companies.

In 2019 JSC Georgian Card became the first company in Georgia to earn PCI 3DS (Three - Domain Secure) service certificate. 3D security level lets the users to adopt additional safety mechanism for online transactions. This service is available for VISA, MasterCard and American Express cards, verified by VISA, MasterCard Secure Code and Amex Safe Key.

#### Future Plans

JSC Georgian Card always updates its services and introduces innovations. Our goal is to protect all entities within our system to the highest extent and to provide them with simple and comprehensive services. For this purpose, we undergo security and other audits every year; we want to face more and more difficult challenges for the beginning of each new period and to implement higher standards.

In the future, the Group plans to make the list of services offered to clients more diverse, also to expand the network of customers and to make all efforts to interest all segments of business in innovative projects.

Direct Debit Georgia LLC has been actively increasing the number of service channels since 2006. In the future, it is planned to increase the service area across Georgia to provide all territorial entities with services that are inseparable from everyday life and guarantee a safe and fast payment service for the majority of the population.

Number of payment channels increase steadily during past several years,. Moreover, the annual payments' turnover has doubled in last three years. Our goal is to maintain the current indicators in terms of business development, along with the increase in quality and efficiency.

#### Market overview

The payment systems industry is greatly connected to technological development and innovations. The market becomes more and more attractive in line with technological progress. According to the statistical figures published by the National Bank of Georgia, the number of payment system providers has increased by 10% for the year 2019. The average amount of the service provided (except electronic money) was 378 736 645 GEL in 2018, the average number of transactions was 13 681 953. In 2019 statistical figures for January – October reflect the average amount of 434 170 507 GEL and the average number of transactions comprised 13 724 620.

There is significant increase in market participants and turnover.

## Business Overview (continued)

### What We Do (continued)

#### Risk Factors

Market risk is the risk of change of the value of financial instruments as a result of market factors, such as the fluctuations in interest rates and foreign currency exchange rates. The Group has a minor currency risk.

Liquidity risk means that the Group will not be able to timely cover all its financial liabilities originated in normal or stressful conditions. The liquidity risk of the Group is analysed and managed by the management. As of 31 December 2019 and December 31 2018, all financial liabilities of the Group were to be covered within 3 months, while the non-discounted repayment obligations provided by the contract were equal to their book value.

The Group has been always fulfilling its contractual obligations and has never experienced a default. The Group will fulfill the contractual obligations in the future.

#### Fraud prevention

Along with the development of information technology, the types of crime have become more diverse. The damage to property may be caused as a result of fraud and unscrupulous behavior of consumers.

#### Information security

In the 21st century, a significant threat to all businesses is the increased cyber and phishing attacks. The financial sector is the priority target for the criminals, so we are aware of the ongoing attack attempts and introduce the highest standards of information security throughout the Group. The protection mechanisms include the cutting-edge and well-known products that are designed to protect internal network from external impacts, as well as the leak of sensitive information within the network.

For the purpose of monitoring existing devices, appropriate software is used to control each event generated in the Group's devices and consumer's PCs. Besides, the staff awareness raising training is often carried out in order to provide information security, and all employees have been provided with the strictly defined instructions on how to behave in any suspicious situation

#### Anti-money laundering practice

All the companies incorporated within the Group are trying to comply with international ethics standards and exclude any money laundering and terrorism funding.

The top priority of cooperation with us is to investigate partners' business, reputation and essential details, to prevent the turnover of illicit activity and in any suspicious case we appeal to the competent authorities for instructions thereof and adequate response.

The Group considers all requirements and recommendations of the National Bank and the Financial Monitoring Service of Georgia, actively cooperates with them and tries to contribute to the prevention of illicit income and the fight against terrorism. In this regard, we have not identified any illegal cases that have ever been carried out through our payment channels or our activities.

#### Changes in the legal and regulatory environment

Direct Debit Georgia, LLC is a payment service provider registered under the National Bank of Georgia. In addition, it is a payment service agent for the Bank of Georgia, JSC. As a result, the company complies with the regulations that govern payment service providers. To protect customers of payment service providers' regulators are adopting stricter regulations not only in Georgia but in the whole region. This trend makes operational activities more difficult for the industry.

## Corporate Management Report

The structure of the Group is maximally tailored to facilitating and making effective business activities. The companies are independent legal entities with independent managing bodies, but in case of necessity they join their activities for the implementation of important projects and missions. The person responsible for the Group's management is the CEO.

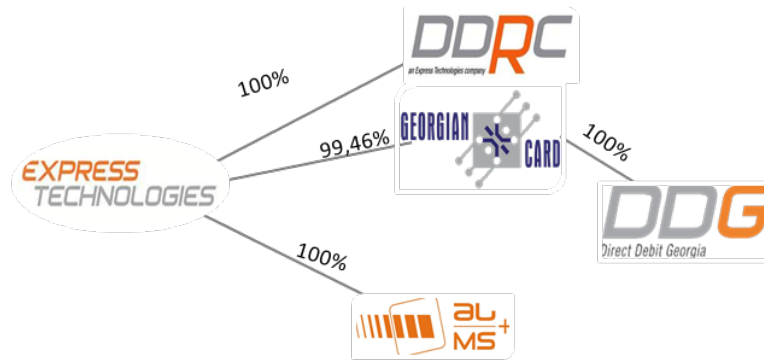
### Information about the CEO

In 2020 new director Dimitri Lomjaria was appointed at Direct Debit Georgia, LLC. He has 15 years of work experience in the banking industry. In 2004-2019 he held leading positions at Bank of Georgia, JSC. Dimitri Lomjaria holds a bachelor's degree in finance and banking from Tbilisi State University. In addition, he holds a master's degree in business administration from Grenoble Business School.

### The Group Structure

The Group's main purpose is to invest and develop companies engaged in electronic payments platform in Georgia. For this purpose, four companies are incorporated in the Group. The main purpose of the holding is to support these companies.

The ownership structure of the companies within the holding is as follows:



### The Group policies

In order to implement the corporate governance principles developed according to the international regulations and best practice, the Group has policies that determine the rules for the conduct of employees and for adequate response to any violation. The following policies are of particular importance:

#### Conflict of interest management policy

The purpose of this policy is to strengthen the rules of determining, managing and preventing the existing, potential and possible facts of the conflict of interest, to explain the issues related to the conflict of interest and to help the staff in its prevention and adequate response to it, namely as follows:

- to determine the situations in which conflict of interest may arise;
- to establish the procedures, mechanisms and systems for the detection, prevention and management of the conflict of interest;
- to protect the interests of the Group, its customers, employees, investors and suppliers by developing the respective measures to eliminate conflict;
- to ensure compliance with the regulations of the National Bank of Georgia.

## Corporate Management Report (continued)

### Conflict of interest management policy (continued)

The restrictions/prohibitions imposed for the prevention of the conflict of interest are as follows:

- activities outside the employer;
- kin relations between the employees;
- attitudes towards gambling;
- drug addiction;
- personal transactions.

### Personal Data Protection Policy

The purpose of this document is to introduce and describe necessary processes and regulations according to the Law of Georgia on Personal Data Protection and the international standards, also to impose necessary restrictions on the employees in this regard and, at the same time, to protect their personal data from illegal and unreasonable use.

### Information Classification and Management Policy

In order to improve the preventive and detective control over the use of information resources, it is necessary to create an architectural infrastructure for information, which implies the classification of information with the approach based on the risk assessment; also, determination of the respective responsible persons, sorting of information and information resources according to the level of confidentiality, development of other rules for access and use.

According to this policy, information is divided into the following four categories of confidentiality: “public”, “for internal use”, “confidential” and “top secret”. Information management is regulated according to those levels and includes the rules for labeling, moving, granting access to, storing and destroying the information.

### Notification Management Policy

The purpose of the policy is to support the establishment of an environment in the Group, where any incompliance or violation is effectively identified and prevented. The people, employed at the organisation, are the eyewitnesses of the violations happening around them. According to the policy, the employing entity guarantees the anonymity of the applicant, whose application will be reviewed with full responsibility and by strict observance of confidentiality.

### Internal Audit

The main objective of the internal audit is to assess the organization’s compliance with the policies, procedures, and standards to enhance management efficiency. Internal Audit provides a report to the Board of Directors to assess how efficiently management employees the company’s recourse and delivers recommendations for further improvement. In addition, risks, corporate governance and management system is assessed as a whole to capture the adequacy of the system and prevent risks.

### Review of the rights of shareholders and of the general meeting of shareholders and the rules of their exercise

100% of shares of the JSC Express Technologies are held by JSC BG Financial. Partners' rights and obligations are regulated by the entity’s Charter, which is a publicly published document.

The Shareholders' Meeting is the entity’s higher governing body that can enforce control on its own or through representative.

## Non-financial Report

### Business model overview

The Companies incorporated within the Group are registered under the National Bank of Georgia as payment system operators and payment service providers and, accordingly, are under its supervision. In this sector JSC Georgian Card is one of the leading processing centers in Transcaucasia, with only two payment system operators in Georgia.

Among the payment service providers Direct Debit Georgia LLC holds a leading position due to the scale of its activities. It should be noted that the services, offered by the company, are distinguished by their multi-functional and innovative character. Only the terminals of Direct Debit Georgia LLC allow making payments with the bank cards, also customers can refill the transportation card limits only through our kiosks and cashiers. As of 2018 the number of self-service terminals has reached 2500.

As for the tender announced for the modernisation of the public transport fee payment system won by Metro Service + LLC it has a 10-year actuality precondition.

Within the framework of the modern payment system, innovative reforms carried out by the Group are of systematic nature and the development of information technologies increases the range of performance, therefore, this is why JSC Express Technologies and the companies incorporated therein do not lose their relevance.

### Our team

According to the 2019 data, over 700 persons in average (Average Number of Employees 723) are employed within the Group. Out of a lot of candidates we choose the most motivated and committed people. Human capital plays crucial role in success of the Group's activities, so we try to create optimal conditions for effective labor and career development. The basis for our employee oriented approach is fairness, which we try to observe by providing adequate compensation, additional bonuses and by respecting diversity, which is necessarily characteristic to any broader circle of people.

We understand and undertake our responsibility before our employees, but in return we require from them fair and reasonable attitude towards their work, which is clearly indicated in our internal regulations and Code of Ethics.

### Healthy work environment

It is noteworthy that since the beginning of our activities up to date, there were no cases of labor dispute filed against the Companies incorporated within the Group. We realise that our employees are the guarantee for our success, so we try to create equal development opportunities for everyone.

Our priority is to strictly protect the personal data of our employees and customers and the adequate risk protection mechanisms are subject to the periodic revision and update. The information on the personal data catalogs, kept in the Companies incorporated within the Group is available on official website of the Personal Data Protection staff.

### Health and safety at the workplace

The legislation sets out minimum safety standards; we are trying to embrace internationally recognised best practices and to create a safe and healthy environment for our employees.

The Group's buildings are equipped with the fire protection infrastructure; also the trainings are delivered for the staff on the methods of prevention of accidents and on quick response during the natural disasters and unforeseen circumstances.

The business continuity management policy is created and the group of key personnel is determined, who are responsible for managing crisis situations.

## Non-financial Report (continued)

### **Prevent corruption**

Corruption and bribery, despite its form and type, are not allowed within the Group. We strictly evaluate any action and transaction that may be perceived as an unlawful influence on the decisions made in relation to the Group.

In order to regulate this area, the Group uses quite an extensive policy on “the management of the conflict of interest”, while a specifically defined structural unit carries out control to ensure that any employee or any action performed by the Group or within the Group is in compliance with this policy.

### **Persons responsible for the preparation and submission of reports**

The CEO is the responsible person for submission of the Group’s Financial Statements and management report.



## Non-financial Report (continued)

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A handwritten signature in blue ink, consisting of a stylized, cursive letter 'S' or 'C' with a small loop at the top.