JSC Express Technologies

Consolidated IFRS Financial statements

For the year ended 31 December 2020
With Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Management of JSC Express Technologies

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We have audited the consolidated financial statements of JSC Express Technologies and its subsidiaries (together – "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 Matter

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.

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 incompliant 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.

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 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.

Report on Other Legal and Regulatory Requirements

In our opinion, based on the work performed in the course of our audit, the information given in the Group's 2020 Management Report, in all material respects:

- Is consistent with the consolidated financial statements of the Group for the year ended 31 December 2020; and
- Includes the information required by the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

Gela Mghebrishvili, Engagement Partner (SARAS-A-965518)

Nexia TA LLC (SARAS-F-550338)

Tbilisi, Georgia

30 September 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Management of JSC Express Technologies

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of JSC Express Technologies and its subsidiaries (together – "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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.

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 incompliant 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.

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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 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

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

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- 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.
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Tbilisi, Georgia

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

(Thousands of Georgian Lari)

	Notes	31-Dec-2020	31-Dec-2019
Assets			
Non-current assets			
Property and equipment	5	34,428	33,333
Intangible assets	6	11,129	8,412
Right of use assets		911	424
Prepayments for property, equipment and intangible assets	8	619	2,043
		47,087	**44,212**
Current assets			
Inventories	7	2,712	4,881
Prepayments and other current assets	8	1,920	1,860
Current income tax asset		57	27
Accounts receivable	9	2,294	1,805
Amounts due from credit institutions		-	508
Cash and cash equivalents	10	45,698	32,375
		52,681	**41,456**
Total assets		**99,768**	**85,668**
Equity			
Share capital	11	23,316	23,316
Share premium	11	4,257	4,257
Retained earnings		14,457	12,808
Total equity attributable to shareholder of the Group		**42,030**	**40,381**
Non-controlling interests		184	164
Total Equity		**42,214**	**40,545**
Non-current liabilities			
Advances received	12	14,000	12,250
Lease liabilities		541	82
		14,541	**12,332**
Current liabilities			
Accounts payable	13	38,307	28,116
Advances received	12	4,225	4,256
Lease liabilities		433	371
Dividends payable		33	33
Current income tax liabilities		15	15
		43,013	**32,791**
Total liabilities		**57,554**	**45,123**
Total equity and liabilities		**99,768**	**85,668**

The consolidated financial statements on pages 6 to 9 were approved by the management of JSC Express Technologies on 30 September and signed on its behalf by:

Dimitri Lomjaria Chief Executive Officer

30 September 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

(Thousands of Georgian Lari)

	Notes	*31-Dec-2020*	*31-Dec-2019*
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CONSOLIDATED STATEMENT OF COMREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

(Thousands of Georgian Lari)

	Notes	*2020*	*2019*
Revenue from transaction processing		31,578	28,110
Revenue from maintenance services		717	874
Fees from sale and initiation of transport cards		176	556
Revenue from fleet management		641	603
Revenue from personalisation services		691	603
Total revenues	14	**33,803**	**30,746**
Other operating income	15	1,358	2,277
Salaries and other employee benefits	16	(11,991)	(11,835)
Rent		(82)	-
Depreciation and amortisation	5, 6	(8,323)	(6,459)
Other operating expenses	15	(11,819)	(10,099)
Operating profit		**2,946**	**4,630**
Interest income		8	22
Interest expense		(1,369)	(1,083)
Foreign exchange loss		84	2
Profit before income tax expense		**1,669**	**3,571**
Income tax expense	17	-	
Total comprehensive income for the year		**1,669**	**3,571**
Attributable to:			
Equity holders of the parent		1,649	3,552
Non-controlling interests		20	19
Basic and diluted earnings per share in GEL	11	**0.07**	**0.15**
Other comprehensive (loss)/income		-	-
Total comprehensive income for the year		**1,669**	**3,571**
Total comprehensive income attributable to:			
Equity holders of the parent		1,649	3,552
Non-controlling interests		20	19

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 2020

(Thousands of Georgian Lari)

	Share capital	*Share premium*	*Retained earnings*	*Non-controlling interests*	*Total*
1 January 2019	**23,316**	**4,257**	**9,256**	**145**	**36,974**
Profit for the period	-	-	3,552	19	3,571
31 December 2019	**23,316**	**4,257**	**12,808**	**164**	**40,545**
Profit for the period			1,649	20	1,669
31 December 2020	**23,316**	**4,257**	**14,457**	**184**	**42,214**

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 2020

(Thousands of Georgian Lari)

	Notes	2020	2019
Cash flows from operating activities			
Profit/(loss) before tax		1,669	3,571
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		8,323	6,459
Finance cost		35	52
Net loss on disposal of property and equipment	15	154	(48)
Impairment charge of Accounts receivable		36	8
Working capital adjustments:			
Decrease in inventories		2,169	(1,171)
Decrease in prepayments and other current assets		(60)	(445)
(Increase)/decrease in accounts receivable		(525)	90
Increase in accounts payable and other liabilities		10,160	(2,270)
Net cash flows from operating activities before income tax		**21,961**	**6,246**
Interest paid		1,716	7,749
Income tax paid		(30)	
Net cash flows from operating activities		**23,647**	**13,995**
Cash flows used in investing activities			
Purchase of property and equipment and intangible assets		(10,393)	(14,956)
Proceeds from sale of property and equipment		11	90
(Placement)/withdrawal of amounts due from credit institutions		508	529
Net cash used in investing activities		**(9,874)**	**(14,337)**
Cash flows used in financing activities			
Payments of principal portion of lease liabilities		(450)	(439)
Dividends paid			-
Net cash used in financing activities		**(450)**	**(439)**
Net increase in cash and cash equivalents		**13,323**	**(781)**
Net foreign exchange difference			
Cash and cash equivalents, beginning	**10**	**32,375**	**33,156**
Cash and cash equivalents, end	**10**	**45,698**	**32,375**

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

(Thousands of Georgian Lari unless otherwise stated)

1. Background

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

As at 31 December 2020 and 31 December 2019, the Company was wholly owned by JSC BG Financial. The members of the supervisiory board of the Group hold no shares of the Group.

As at 31 December 2020 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 2019 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 2020 and 31 December 2019 include the following subsidiaries with the following effective ownership interests:

Subsidiary	*2020*	*2019*	*Country*	*Industry*
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 2020. 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 2020

(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.

(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:

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

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

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

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 2020.

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

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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

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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 depostits that mature within three months from the date of origination, that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and are free from contractual encumbrances.

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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:

(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 mechant and further transfer of such cash amounts to the related party bank which funds mechants simoultaneously with completion of payment transaction at self service terminal or cash desk.

Revenue from transaction processing is generated by services priced as a percentage of transaction value or a specified fee per transaction. Such revenue is recognised upon satisfaction of performance obligation on completion of the underlying transaction.

Revenue from personalisation services

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

Revenue from maintenance services

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

Fees from sale and initiation of transport cards

The Group sells and performs initiation of not personalised transport cards to individuals at a fixed price approved by municipal authorities. Revenue from sale and initiation of transport cards is recognised at the time of sale of these cards, as the Group does not have any performance obligations except for sale and initiation of a transport card to the public transport payment system. Fees from sale and initiation of transport cards represent respective revenue net of related cost of plastic cards as the Group assesses it acts as agent in such transactions (see also Note 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 2020 and 2019 were 3.2766 and 2.6766 GEL to USD, respectively.

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:

(Thousands of Georgian Lari unless otherwise stated)

4. Significant accounting judgments, estimates and assumptions (Continued)

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

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

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

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

5. Property and equipment

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

	Self service terminals and non-current spare parts	*Land and buldings*	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Leashold improve-ments*	*Other equip-ment*	*Total*
Cost								
1 January 2019	**18,834**	**942**	**667**	**5,609**	**363**	**765**	**9,802**	**36,982**
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)
31 December 2019	**19,391**	**956**	**2,137**	**7,567**	**965**	**987**	**15,662**	**47,665**
Additions	436	25	16	2,606	383	21	3,088	6,575
Disposals	(444)	-	(77)	(570)	(93)	(147)	(31)	(1,362)
Transfers	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
31 December 2020	**19,383**	**981**	**2,076**	**9,603**	**1,255**	**861**	**18,719**	**52,878**
Accumulated depreciation and impairment								
1 January 2019	**7,449**	**32**	**323**	**2,361**	**141**	**308**	**44**	**10,658**
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)
31 December 2019	**9,227**	**42**	**419**	**3,348**	**225**	**424**	**647**	**14,332**
Depreciation charge	2,040	11	220	1,292	193	148	1,410	5,314
Disposals	(308)	-	(75)	(562)	(84)	(147)	(20)	(1,196)
Write off	-	-	-	-	-	-	-	-
31 December 2020	**10,959**	**53**	**564**	**4,078**	**334**	**425**	**2,037**	**18,450**
Net book value:								
31 December 2019	**10,164**	**914**	**1,718**	**4,219**	**740**	**563**	**15,015**	**33,333**
31 December 2020	**8,424**	**928**	**1,512**	**5,525**	**921**	**436**	**16,682**	**34,428**

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6. Intangible assets

	Cost	*Amortisation charge*	*Net book value*
1 January 2019	**9,494**	**(3,145)**	**6,349**
Additions / (Amortisation charge)	3,890	(1,827)	**2,063**
Disposals	(508)	508	
31 December 2019	**12,876**	**(4,464)**	**8,412**
Additions / (Amortisation charge)	5,243	(2,527)	**2,716**
Disposals	(1,185)	1,186	**1**
31 December 2020	**16,934**	**(5,805)**	**11,129**

7. Inventories

	31-Dec-2020	*31-Dec-2019*
Spare parts	1,200	4,048
Plastic transport cards	304	119
Other	1,208	714
Total inventories	**2,712**	**4,881**

8. Prepayments and other current assets

	31-Dec-2020	*31-Dec-2019*
Operating taxes receivable	1,159	1,051
Prepayments for services	425	339
Prepayments for inventories	325	367
Others	11	103
Total prepayments and other current assets	**1,920**	**1,860**

9. Accounts receivable

	31-Dec-2020	*31-Dec-2019*
Receivables from related parties (Note 19)	1,507	1,321
Other receivables	1,014	667
	2,521	**1,988**
Less – Allowance for impairment	(227)	(183)
Total accounts receivable, net	**2,294**	**1,805**

The movement of allowance is presented below:

	2020	2019
Allowance for impairment as at 1 January	(183)	(165)
Charge during the year	(44)	(18)
Allowance for imparement as at 31 December	**(227)**	**(183)**

As at 31 December 2020 and 31 December 2019, 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 2020, 31 December 2019, Group's accounts receivable with an initial carrying value of GEL 227 thousand and GEL 183 thousand, respectively, were impaired and fully provided for, which is included in other operating expenses line in consolidated statement of comprehensive income.

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10. Cash and cash equivalents

	31-Dec-2020	*31-Dec-2019*
Settlement-related cash in transit	34,143	24,466
Settlement-related cash on a related party bank account (Note 19)	461	343
Cash on a related bank account	9,963	6,320
Cash on a non-related bank account	14	1
Cash on hand	1,117	1,245
Total cash and cash equivalents	**45,698**	**32,375**

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.

11. Equity

As at 31 December 2020 and 31 Decemer 2019 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:

	2020	*2019*
Net profit attributable to ordinary equity holders	1,669	3,571
Weighted average number of ordinary shares	23,316,420	23,316,420
Basic and diluted earnings per share in GEL	**0.07**	**0.15**

12. Advances Received and interest expense

In February 2018, Bank of Georgia and the Group signed an agreement under which the Company will act as a subcontractor and will be responsible for the operation of the public transport payment system in Tbilisi for a renewed ten-year period beginning in October 2018. Under the agreement, the Group received an advance, the remaining balance of which as of December 31, 2020 amounts to GEL 18,200 (2019: GEL 16,450). These advances are carried at amortized cost. Relevant interest expenses are given in the consolidated statement of comprehensive income at the expense of GEL 1,369 and 1,083 respectively in 2020 and 2019, respectively.

13. Accounts payable

	31-Dec-2020	*31-Dec-2019*
Payables to related parties (Note 17)	35,534	25,675
Settlement-related payables	433	475
Accruals for employee compensation	862	913
Operating taxes payable	519	511
Payables for property and equipment and intangible assets	593	266
Other payables	366	276
Total accounts payable	**38,307**	**28,116**
Current	38,307	28,116
Non-current	-	-

As at 31 December 2020 and 31 December 2019, the carrying amounts disclosed above reasonably approximate their fair values.

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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 2019.

According to these additional agreements, LLC Metro Service Plus was treated as sub-contractor and started to receive fees for transaction processing from its servicing related party bank, Bank of Georgia. In addition, LLC Metro service plus was obliged to transfer specified assets to Tbilisi City Hall free of charge. Accordingly, LLC Metro service plus recognised cost of these assets within other operating expenses in 2017 (see also Note 15).

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

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

Contract assets and liabilities

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

	2020	***2019***
Accounts receivable	2,294	1,838
Advances received	18,225	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

	2020	***2019***
Net gain/(loss) from sale of refurbishement services and equipment	-	(12)
Rent income	114	1,312
Revenue from sale of software	110	162
Interconnection fees	363	343
Other operating income	771	472
Total other operating income	**1,358**	**2,277**
Lease like services with undefined contract or no space	(906)	(1,791)
Repair and maintenance	(2,089)	(1,576)
Cost of inventory used	(3,462)	(1,372)
Communication networking	(1,577)	(1,265)
Operating taxes	(684)	(772)
Commission fees	(174)	(354)
Cash collection	(303)	(340)
Professional services (Other)	(378)	(327)
Electricity, water, gas and other utilities	(330)	(304)
Net loss from disposal of property and equipment	(19)	(653)
Stolen and damaged banknotes	(370)	(181)
Professional services (Audit)	(64)	(35)
Allowance for receivables	(36)	(8)
Other operating expenses	(1,427)	(1,121)
Total other operating expense	**(11,819)**	**(10,099)**

(Thousands of Georgian Lari unless otherwise stated)

16. Salaries and other employee benefits

	2020	*2019*
Salaries and other benefits	11,214	10,938
Cash bonuses	777	897
Total salaries and other employee benefits	**11,991**	**11,835**

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 2020 and 2019, 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.

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 2020 and 31 December 2019, 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 2020, 31 December 2019, the Group placed GEL 10,424 and GEL 7,171 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 2020 and 31 December 2019.

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 2020 and 31 December 2019, 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.

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19. Related party transactions (continued)

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

	31-Dec-2020	*31-Dec-2019*
	Entities under common control	***Entities under common control***
Assets		
Cash and cash equivalents	10,424	6,662
Accounts receivables	1,507	1,321
	11,931	**7,983**
Liabilities		
Accounts payable	35,534	25,675
Advances Received	18,200	16,450
	53,667	**42,125**

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

	2020	*2019*
	Entities under common control	***Entities under common control***
Sales		
Revenue from transaction processing	27,957	24,461
Revenue from maintenance services	2,041	2,095
Revenue from personalisation services	520	479
	30,518	**27,034**
Other operating income		
Income from sale of property and equipment (a)	57	22
Other operating income	1,497	1,633
	1,554	**1,655**
Purchases and expenses		
Purchase of inventory	-	12
Other operating expenses	636	842
	636	853
Other items		
Interest income	4	32
Interest expense	1,421	–

(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 2020 and 2019, compensation of the Group's key management personnel totalled GEL 81 and GEL 382 respectively.

20. Events after the reporting date

In June 2021, JSC "BJ Financial" reduced share capital of JSC "Express Technology" by 1,436,043 ordinary shares. Price of per share was set to be 1.74 GEL, therefore the capital was reduced by the total value - 2,498,715 thousand GEL.

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

JSC Express Technologies

The Group's Management Report

2020

September 2021

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

The year 2020 is associated with many challenges and challenges worldwide, yet the Express Technology Group has been able to maintain steady continuous growth in terms of efficiency and quality.

In the pandemic, it is our priority to provide continuity of payment services and to mobilize secure payment channels for the public.

The management report for 2020 provides an overview of the Group's core activities, fact-based achievements and development prospects. It also discusses the business risks that affect the company's operations.

We continue to improve the quality of our services and create better working conditions for our employees. Based on the indicators presented in the report, we can confidently say that stability is one of the main foundations of our success, however we are definitely planning significant and positive changes for the future.

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
Direct Debit Georgia LLC - www.DDG.ge
Metro Service + LLC – www.MS+.ge
Didi Dighomi Research Center LLC

What We Do

JSC Georgian Card

The services offered by JSC Georgian Card include: card personalization, mobile, internet and card payments, support of certified terminals (equipment/machines) for cash payments and cash withdrawals. The above is provided by the PCI DSS infrastructure of international standards, which guarantees quick and safe processing of transactions.

The company is a strategic partner to many financial and non-financial institutions, including commercial banks, microfinance organizations and payment service providers. The processing center offers its customers modern high-tech products and services with innovative solutions, which have been developed based on the newest security standards and the recommendations of the international payment systems.

JSC Georgian Card (continued)

Processing of transactions

Transaction processing service involves the processing of card transactions of banks, microfinance organizations, payment service providers and other financial / non-financial institutions involved in the network of JSC Georgian Card; Providing clearing information and reporting to member institutions; Exchange of financial and non-financial information (fraudulent, appealed transactions), and monitoring and processing of corrective transactions between member organizations in accordance with the latest requirements of international payment systems.

Card personalization

JSC Georgian Card provides personalization of banking and non-banking (discount, club, accrual, identification, etc.) cards.

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.

Digital card

Virtual payment card, which is a digital form of physical card, which is issued in real time mode. It makes it possible for the customer to make a payment without making a plastic card: add a payment instrument to the e-wallet, use it to withdraw money from an ATM and pay in both physical and online stores.

Digital card holders can also plasticize it, which means inserting existing digital card data into physical plastic and using it through any payment channel.

3D security service

The 3D security service is implemented in the system of JSC Georgian Card, which can be joined in by the financial institutions included in the processing and certified in the payment systems.

The 3D security service is an additional layer of security for carrying out e-commerce (online) transactions with debit and credit cards.

The service has VBV (Verified by Visa), MasterCard Secure Code and AMEX Safe Key support and its main advantage is to protect the cardholder from unauthorized and fraudulent transactions.

Discount card system

The company's processing system provides software for discount card services, which allows the company to run the desired company easily and in a short period of time.

The Loyalty Management System aims to offer discount cards for any segment of the market and to provide customers with various, preliminarily determined, discounts at different shopping facilities.

Contactless stickers

Sticker is a small contactless card with an adhesive back, which can be attached to various items. This service can be used at the POS terminals of the shopping facilities as well as for the payment of the underground, bus, minibus and ropeway transportation fees. The stickers can be also used for withdrawing money from the ATMs.

Contactless payment applications

The card emulation (tokenization) service is implemented at JSC Georgian Card for Visa, MasterCard and American Express cards.

The tokenization process means the change of sensitive information/card data with digital equivalent, which alone does not have any sensitive value.

JSC Georgian Card (continued)

Contactless payment applications (continued)

Minimization of the existence of and protection of sensitive information through the replacement of its token makes it easier for merchants to comply with PCI standards, because the representatives of retail trade do not have to store and protect sensitive information/card data and to provide the environment for that, which would be in compliance with the standards

This service has made it possible to offer additional products to customers:

Since 2016, Bank of Georgia customers were able to make contactless payments through their cell phones. Therefore, it is enough for the user to download TSKAPP application in their Android system cell phones. After downloading TSKAPP application in the cell phone, the user will be able to pay for any purchase or service fee by touching the cell phone to POS terminal and withdraw cash from ATMs by nearing mobile phone to ATM machines.

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.

After adding VISA / MasterCard / American Express cards in the Apple Wallet application, the user can make payments:

- In stores, On online shopping sites.
- In applications,
- Cash withdrawal

Transactions monitoring

The complete management and monitoring of the payment network includes the following:

- Permanent monitoring of the real-time transactions and peripheral devices (through POS terminal; Web Page, ATM;);
- Telephone consultation and technical support 24/7;
- Remote solution of problems.

Metro Service +, LLC

Transport fare collection automated systems

With urban development, there is a growing demand for municipal transport, which requires constant investment in new infrastructure; operating costs are increasing and it is essential that the increase in quantity does not affect the quality and efficiency of services.

The operational challenges of the transportation system include the integration of external infrastructure with the internal system, the management and analysis of the growing volume of information, of which transaction processing and tax collection are an integral and fundamental part. All the above elements together create a Tax Collection Management System, which was successfully introduced by the "Metro Service +" Ltd.

The company issues a non-personalized plastic card - "Metromoney", which is used for payment for transport services in Tbilisi metro stations, buses, cable cars and minibuses. The infrastructure, which is installed in different types of transport, makes it possible to pay by bankcards as well. The electronic payment collection system handles hundreds of thousands of transactions a day, with minimal customer involvement, which means that using plastic cards simplifies the payment process as much as possible; there is no need for long queues to pick up tickets and mobilize daily cash in all vehicles.

Metro Service +, LLC (continued)

Transport fare collection automated systems (continued)

Electronic payments also facilitate analytical activities: defining strategically important lines and managing transport redistribution.

Since 2007, 5,065,448 “Metromoney” cards have been issued, of which - 2,636,427 active, with approximately 1,050,000 transactions per day being completed, with an average monthly turnover of GEL 8,735,500.

Experience and development stages

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 that was prolonged for 10 more years in 2019.

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.

Metro Service +, LLC (continued)

Transport fare collection automated systems (continued)

In 2017, JSC Bank of Georgia won the tender announced by the Tbilisi City Hall for the modernization of the public transport fare payment system. Within this project, the fare payment system was launched that accepts all types of Georgian and foreign cards in the Tbilisi Metro, buses and cable cars.

Municipal transport is equipped with new cash registers and card reader validators. Special mobile applications with travel planning and ticket purchase functions are being tested. "Metro Service +" as a subcontractor to the bank is responsible for fulfilling the terms of this project and operation. Other group companies: JSC "Georgian Card", Ltd. "Direct Debit Georgia", are also involved in supporting the operations of this project.

With the joint efforts of the companies within Group, it became possible to integrate possibility of fare payment with all international bank cards in out fare collection system, and to be able to purchase travel cards and top up the limit almost all over Georgia.

Since 2018, our payment system accepts all types of Georgian and foreign cards for fare collection in Tbilisi Metro, buses and cable cars.

Direct Debit Georgia, LLC

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.

What We Do (continued)

Direct Debit Georgia, LLC (continued)

Cashier-Operators

The company has created a one-stop-shop service for quality and fast service, which involves the deployment of cashier-operators in the Public Service Halls, service development agencies and the Batumi Economic Zone.

One such project is receiving all types of payments for public services in the Public Registry. The mentioned project started in 2006 and continues successfully to this day.

From March 2011 to the present, payments for customs duties and other services in the Batumi International Container Terminal Ltd takes place through cash registers.

The "Direct Debit Georgia" Ltd creates efficient and secure payment channels through cash registers not only for state and public, but also for other commercial payments.

New Projects

JSC Georgian Card

From 2020, 3DS authentication service for e-commerce operations is compliant and certified with EMVCo standards. The company has introduced the latest 3DS 2.0 version of this service, that provides full compliance with the "Strong User Authentication Rule" and even higher standard of payment security, as well as significantly increases the ease of use of the service for customers.

As order of the president of the National Bank of Georgia regarding "The Approval of the Strong User Authentication" entered into force in 2020, JSC Georgian Card" strongly cooperates with companies connected in its system, so that they can timely adjust their activities in line with requirements on the National Bank.

Relevant changes to the order were made in terms of both emission and acquisition.

Metro Service +, LLC

Since 2020, Metro Service + Ltd has been among the few companies in Georgia that have successfully passed the annual audit of compliance with the Payment Card Industry Data Protection Standards (PCI (DSS)).

The Payment Card Industry Data Protection Standards (PCI DSS) is a set of security standards designed to provide a secure environment for companies that process, store, or transmit sensitive information such as card data.

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	2020	2019
Total assets	99,768	85,668
Total equity attributable to shareholder of the Group	42,030	40,381
Non-controlling interests	184	164
Total equity	42,214	40,545
Total liabilities	57,554	45,123
Total equity and liabilities	99,768	85,668

What We Do (continued)

Financial Overview (continued)

Consolidated Statement of Comprehensive Income	2020	2019
Total revenues	35,161	33,023
Total operating expenses	(32,215)	(28,393)
Operating profit/(loss)	**2,946**	**4,630**
Other financial items	(1,277)	(,1059
Profit/ (loss) before income tax expense	**1,669**	**3,571**
Income tax benefit	-	-
Profit/(loss) for the year	**1,669**	**3,571**
Other comprehensive (loss)/income to be reclassified to the profit or loss in subsequent periods	**-**	-
Total comprehensive income for the year	**1,669**	**3,571**
Attributable to:		
- Equity holders of the parent	1,649	3,552
- Non-controlling interests	20	19

According to the data of 2019, the equity of JSC Express Technologies Group has increased by GEL 1.7 million (2019 - GEL 3.5 million), and the total revenue has increased by GEL 2.1 million (2019 - GEL 3.4 million).

Compliance with international standards

JSC Georgian Card is certified with MaterCard, 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.

As of 2020, JSC Georgian Card has introduced version 2.0 of the 3DS service and holds the EMVco certificate of compliance with international standards.

In 2020 Metro Service + Ltd. successfully passed the audit of compliance with PCI standards.

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, 6.62 million cards were issued in the first quarter of 2020, which are 10% less compared to the previous year, but the number of transactions and volume of the in-country payments by Georgian payment cards increased by almost 20% in 2020 compared to the previous year. Also the number of Internet payments increased by 100% and the volume by 82% in first quarter of 2021 compared to the first quarter of 2020.

The volume of payment operations (excluding e-money) performed by payment systems registered with the National Bank of Georgia reached 6 040 486 367 GEL which is 10% increase compared to the previous year, however 10% decrease is observed in total number of payments.

Risk Factors

Market risk

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 2020 and December 31 2019, 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.

Risk Factors (continued)

Information security (continued)

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.

Key supplier risk management

While it is impossible to predict all possible risk scenarios, analytical forecasting allows for the development of effective valuation and management procedures to enable the Group to address the potential risks associated with a key supplier in the face of potential impacts on its operating activities.

In order to mitigate these risks across the group, companies reduce the level of dependence on the supplier by conducting an in-house process of full product utilization and technical support, as well as constant process of finding alternative sources and keep updated list.

Risk of customer dependence

The process of managing the risk of customer dependency is based on common principles but different across the group due to the difference in size of the target markets and different concentration of customers.

In order to reduce risk, core values are constantly identified, which include evaluating / analyzing the resources of both companies and resources, and various means of reducing customer concentration, such as reducing key customer dependencies, concluding long-term contracts, diversifying services, and so on.

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

There is a growing demand to strict regulation to protect payment service users not only in the country but also in the region. In many cases those regulations cause complicated operational activity for the participants of the payment system.

The packages of amendments are gradually implemented in the country to comply with the requirements of the Revised Payment Services Directive (PSD2, Directive (EU) 2015/2366) of the European Union.

The novelties that are particularly noteworthy for the group are:

<u>Open Banking</u> - providing banking infrastructure, access to information for other non-bank financial institutions, that encourages the creation of high-tech financial services and at the same time ensures the protection of consumers' finances and financial information.

<u>Strong User Authentication</u> - The rule sets out the standards that a user must follow when remotely servicing, namely authentication based on two or more different elements. The regulation is aimed at ensuring the secure authentication of payment service users, as well as reducing the risk of fraud and other illegal activities, which in turn will increase consumer confidence in payment services and cashless payments.

New Regulation on the Card Instrument - The regulation addresses innovative issues such as the operation of digital cards and applications, co-badging, sub-acquisition and critical areas related to the use of the card instrument in general.

Risk Factors (continued)

Pandemic and international crisis

The situation caused by the pandemic affects not only Georgia and specific businesses, but also many countries around the world. Numerous states have taken special measures and declared a state of emergency to combat the pandemic.

The impact of the pandemic and its ensuing crisis on the company is not alarming, since, despite the emergency situation, the continuity of payment services is an essential part of the normal functioning of the state. Accordingly, the company was a subject of the authorized economic activity during the full period of the state of emergency.

Quarantine, social distancing and other restrictions did not have significant impact and did not particularly reduce demand on services offered by Group, except for Metro Service +., LLC, since municipal transport was partially shut down for certain amount time.

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.

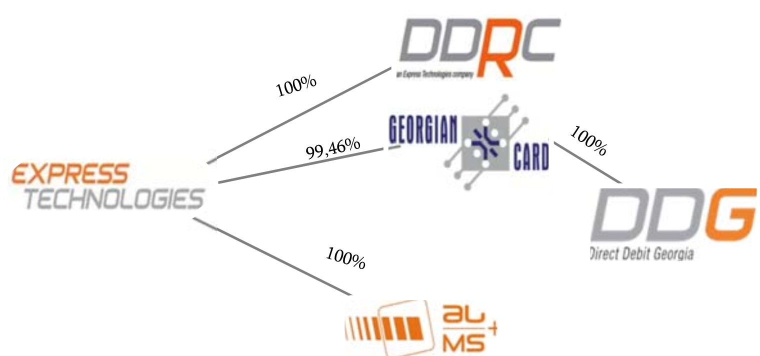
Information about the CEO

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:

The Group policies (continued)

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.

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 2020 the number of self-service terminals is about 3200.

As for the Metro Service +, LLC, the company will continue to provide public transport fee payment system modernization services for another decade as assigned by tender won, with even wider range of services and accessibility.

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 2020 data, average number of employees within group is 687 (2019 - 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 law sets minimum safety standards, the company seeks to adopt internationally recognized best practices and create a safe and healthy work environment for employees.

The company has fire-fighting infrastructure, staff are trained on how to respond to accidents, and how to respond quickly to natural disasters and emergencies.

A business continuity management policy has been developed and a key staff group has been identified to be responsible for crisis management.

Taking into account the new coronavirus (SARS-COV-2) declared as a pandemic on march 11, 2020 by the World Health Organization, the state of emergency related to its widespread distribution and the challenges, faced by the company, it was developed the emergence situation management plan related to the infection (COVID-19) caused by the new coronavirus (SARS-COV-2) (COVID-19); the plan aims to respond appropriately to the commitments set by the Government of Georgia.

Health and safety at the workplace (continued)

The plan is based on the order of the Minister of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia on the Approval of Recommendations to Prevent the Spread of the New Coronavirus (COVID-19) in the Workplace, as well as the relevant recommendations of the World Health Organization.

The plan includes identifying the risks of infection with the new coronavirus and listing the measures that the company must take to eliminate these risks.

Maintaining a safe workplace environment is a major challenge as the COVID-19 virus spreads around the world, although the "Direct Debit Georgia" has been strictly adhering to the recommendations of the Georgian Ministry of Labor, Health and Social Affairs throughout the year, and many employees continue to work remotely.

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.

Health and safety at the workplace (continued)

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