JSC Georgian card

Consolidated and separate IFRS financial statements

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

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INDEPENDENT AUDITOR'S REPORT

NOTES TO THE FINANCIAL STATEMENTS

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Independent auditor's report

To the Shareholders, Supervisory Board and Management of JSC Georgian Card

Opinion

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

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

Basis for opinion

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

Emphasis of matter

We draw attention to Note 18 to the consolidated and separate financial statements, which describes a significant concentration of the Company's and the Group's transactions with related parties. Our opinion is not modified in respect of this matter.

Other information included in the Company's and the Group's management report

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

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Supervisory Board for the consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Supervisory Board is responsible for overseeing the Company's and the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and 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 Company's and the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report in accordance with the requirements of Article 7, paragraph 10 of the Georgian Law on Accounting, Reporting and Auditing

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

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

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

Ruslan Khoroshvili

For and on behalf of EY Georgia LLC

Tbilisi, Georgia

11 September 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

(Thousands of Georgian Lari)

	Notes	*2017*	*2016*	*1 January 2016*
Assets				
Non-current assets				
Property and equipment	4	14,892	15,190	14,935
Intangible assets	5	4,530	4,003	2,751
Prepayments for property and equipment and intangible assets		224	72	212
		19,646	**19,265**	**17,898**
Current assets				
Inventories	6	1,625	2,015	2,655
Prepayments and other current assets	7	752	949	876
Current income tax asset		4	4	220
Accounts receivable	8	1,032	786	1,613
Amounts due from credit institutions	9	1,018	529	1,123
Cash and cash equivalents	10	37,816	26,525	20,424
		42,247	**30,808**	**26,911**
Total assets		**61,893**	**50,073**	**44,809**
Equity				
Share capital	11	11,724	11,724	11,724
Share premium	11	8,528	8,528	8,528
Retained earnings	11	6,007	4,353	3,361
Total equity		**26,259**	**24,605**	**23,613**
Non-current liabilities				
Deferred tax liability	16	–	–	620
Accounts payable	12	–	–	408
		–	**–**	**1,028**
Current liabilities				
Accounts payable	12	35,300	25,433	19,099
Dividends payable		33	34	1,069
Advances received		301	1	–
		35,634	**25,468**	**20,168**
Total liabilities		**35,634**	**25,468**	**21,196**
Total equity and liabilities		**61,893**	**50,073**	**44,809**

The financial statements on pages 1 to 24 were approved by the management of JSC Georgian card on 11 September 2018 and signed on its behalf by:

Irakli Kodua — Chief Executive Officer

11 September 2018

The accompanying notes on pages 5 to 21 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

(Thousands of Georgian Lari)

	Notes	*2017*	*2016*	*1 January 2016*
Assets				
Non-current assets				
Property and equipment	4	14,892	15,190	14,935
Intangible assets	5	4,530	4,003	2,751
Prepayments for property and equipment and intangible assets		224	72	212
		19,646	**19,265**	**17,898**
Current assets				
Inventories	6	1,625	2,015	2,655
Prepayments and other current assets	7	752	949	876
Current income tax asset		4	4	220
Accounts receivable	8	1,032	786	1,613
Amounts due from credit institutions	9	1,018	529	1,123
Cash and cash equivalents	10	37,816	26,525	20,424
		42,247	**30,808**	**26,911**
Total assets		**61,893**	**50,073**	**44,809**
Equity				
Share capital	11	11,724	11,724	11,724
Share premium	11	8,528	8,528	8,528
Retained earnings	11	6,007	4,353	3,361
Total equity		**26,259**	**24,605**	**23,613**
Non-current liabilities				
Deferred tax liability	16	–	–	620
Accounts payable	12	–	–	408
		–	**–**	**1,028**
Current liabilities				
Accounts payable	12	35,300	25,433	19,099
Dividends payable		33	34	1,069
Advances received		301	1	–
		35,634	**25,468**	**20,168**
Total liabilities		**35,634**	**25,468**	**21,196**
Total equity and liabilities		**61,893**	**50,073**	**44,809**

The financial statements on pages 1 to 24 were approved by the management of JSC Georgian card on 11 September 2018 and signed on its behalf by:

Irakli Kodua Chief Executive Officer

11 September 2018

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

(Thousands of Georgian Lari)

	Notes	*2017*	*2016*	*1 January 2016*
Assets				
Non-current assets				
Property and equipment	4	4,076	4,278	4,360
Intangible assets	5	4,054	3,415	2,067
Investment in subsidiary	1	16,752	16,752	16,752
Prepayments for property and equipment and intangible assets		224	72	212
		25,106	**24,517**	**23,391**
Current assets				
Inventories		264	259	277
Prepayments and other current assets		524	901	802
Current income tax asset		4	4	220
Accounts receivable		201	247	178
Amounts due from credit institutions		–	–	644
Cash and cash equivalents	10	1,715	867	1,988
		2,708	**2,278**	**4,109**
Total assets		**27,814**	**26,795**	**27,500**
Equity				
Share capital	11	11,724	11,724	11,724
Share premium	11	8,528	8,528	8,528
Retained earnings		6,907	5,485	3,929
Total equity		**27,159**	**25,737**	**24,181**
Non-current liabilities				
Deferred tax liability		–	–	338
Non-current portion of accounts payable		–	–	408
		–	**–**	**746**
Current liabilities				
Accounts payable	12	321	1,023	1,488
Dividends payable		33	34	1,069
Advances received		301	1	16
		655	**1,058**	**2,573**
Total liabilities		**655**	**1,058**	**3,319**
Total equity and liabilities		**27,814**	**26,795**	**27,500**

The accompanying notes on pages 5 to 21 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of Georgian Lari)

	Notes	2017	2016
Revenue from transaction processing		13,552	11,569
Revenue from personalisation services		554	569
Revenue from maintenance and other services		1,382	1,639
Total revenues	13	**15,488**	**13,777**
Other operating income	14	745	786
Salaries and other employee benefits	15	(6,090)	(5,679)
Rent		(958)	(861)
Depreciation and amortisation		(3,242)	(2,881)
Other operating expenses	14	(4,368)	(4,814)
Operating profit		**1,575**	**328**
Interest income		18	6
Interest expense		(9)	(123)
Foreign exchange gain		70	161
Profit before income tax expense		**1,654**	**372**
Income tax benefit	16	–	620
Profit and total comprehensive income for the year		**1,654**	**992**
Basic and diluted earnings per share		**0.14**	**0.08**

The accompanying notes on pages 5 to 21 form an integral part of these financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

(Thousands of Georgian Lari)

		2017	*2016*
Revenue from transaction processing		5,050	4,053
Revenue from personalisation services		554	569
Revenue from maintenance and other services		591	1,268
Total revenues	13	**6,195**	**5,890**
Other operating income	14	711	710
Salaries and other employee benefits	15	(2,058)	(2,141)
Rent		(144)	(155)
Depreciation and amortisation		(1,567)	(1,292)
Other operating expenses	14	(1,701)	(1,672)
Operating profit		**1,436**	**1,340**
Interest income		–	3
Interest expense		(9)	(123)
Foreign exchange loss		(5)	(2)
Profit before income tax expense		**1,422**	**1,218**
Income tax benefit		–	338
Profit and total comprehensive income for the year		**1,422**	**1,556**

The accompanying notes on pages 5 to 21 form an integral part of these financial statements.

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

(Thousands of Georgian Lari unless otherwise stated)

	Share capital	***Share premium***	***Retained earnings***	***Total***
1 January 2016	**11,724**	**8,528**	**3,361**	**23,613**
Total comprehensive income for the year	–	–	992	**992**
31 December 2016	**11,724**	**8,528**	**4,353**	**24,605**
Total comprehensive income for the year	–	–	1,654	**1,654**
31 December 2017	**11,724**	**8,528**	**6,007**	**26,259**

The accompanying notes on pages 5 to 15 form an integral part of these financial statements.

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

(Thousands of Georgian Lari unless otherwise stated)

	Share capital	*Share premium*	*Retained earnings*	*Total*
1 January 2016	**11,724**	**8,528**	**3,929**	**24,181**
Total comprehensive income for the year	–	–	1,556	**1,556**
31 December 2016	**11,724**	**8,528**	**5,485**	**25,737**
Total comprehensive income for the year	–	–	1,422	**1,422**
31 December 2017	**11,724**	**8,528**	**6,907**	**27,159**

The accompanying notes on pages 5 to 15 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

(Thousands of Georgian Lari unless otherwise stated)

	Notes	2017	2016
Cash flows from operating activities			
Profit before tax		1,654	372
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		3,242	2,881
Gain on sale of property and equipment		(1)	(236)
Working capital adjustments:			
Decrease in inventories		390	640
Decrease in prepayments and other current assets		247	129
(Increase)/decrease in accounts receivable		(246)	827
Increase in accounts payable and advances received		10,878	6,783
Net cash flows from operating activities before income tax		**16,164**	**11,396**
Interest paid		(9)	(123)
Net cash flows from operating activities		**16,155**	**11,273**
Cash flows used in investing activities			
Purchase of property and equipment and intangible assets		(4,834)	(5,315)
Proceeds from sale of property and equipment		460	584
Repayment of amounts due from credit institutions		(489)	594
Net cash used in investing activities		**(4,863)**	**(4,137)**
Cash flows used in financing activities			
Dividends paid		(1)	(1,035)
Net cash used in investing activities		**(1)**	**(1,035)**
Net increase/(decrease) in cash and cash equivalents		**11,291**	**6,101**
Cash and cash equivalents, beginning	10	**26,525**	**20,424**
Cash and cash equivalents, end	10	**37,816**	**26,525**
Non-cash financing and investing activities			
Acquisition of property and equipment on deferred payment terms		3	764

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

(Thousands of Georgian Lari unless otherwise stated)

	Notes	2017	2016
Cash flows from operating activities			
Profit before tax		1,422	1,218
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		1,567	1,292
Gain on sale of property and equipment		(16)	–
Working capital adjustments:			
(Increase)/decrease in inventories		(5)	18
Decrease in prepayments and other current assets		377	117
Decrease/(increase) in accounts receivable		46	(54)
Increase/(decrease) in accounts payable and advances received		359	(61)
Net cash flows from operating activities before income tax		**3,750**	**2,530**
Interest paid		(9)	(123)
Net cash flows from operating activities		**3,741**	**2,407**
Cash flows used in investing activities			
Purchase of property and equipment and intangible assets		(2,908)	(3,152)
Proceeds from sale of property and equipment		16	15
Repayment of amounts due from credit institutions		–	644
Net cash used in investing activities		**(2,892)**	**(2,493)**
Cash flows used in financing activities			
Dividends paid		(1)	(1,035)
Net cash used in financing activities		**(1)**	**(1,035)**
Net increase/(decrease) in cash and cash equivalents		**848**	**(1,121)**
Cash and cash equivalents, beginning	10	**867**	**1,988**
Cash and cash equivalents, end	10	**1,715**	**867**
Non-cash financing and investing activities			
Acquisition of property and equipment on deferred payment terms		3	764

(Thousands of Georgian Lari unless otherwise stated)

1. Background

JSC Georgian Card (the "Company") is a joint stock company incorporated on 17 January 1997 in accordance with Georgian legislation with legal address at 106 Beliashvili Street, Tbilisi, Georgia. The Group provides transaction processing, personalisation, payment services via cash desks or self service terminals as well as maintenance services of self service terminals. The consolidated financial statements of the Group comprise the Company and its wholly owned subsidiary, LLC Direct Debit Georgia, (together referred as the "Group"). As at 31 December 2017, 31 December 2016 and 1 January 2016, the Company's shareholders were as follows:

	2017	*2016*	*1 January 2016*
JSC Express Technologies	99.46%	99.45%	99.45%
Others	0.54%	0.55%	0.55%
	100.00%	**100.00%**	**100.00%**

The members of the supervisiory board of the Group hold 256 ordinary shares of the Group.

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

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

2. Basis of preparation

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

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

First time adoption of International financial reporting standards (IFRS)

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2017. 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

(Thousands of Georgian Lari unless otherwise stated)

2. Basis of preparation (continued)

Basis of consolidation (continued)

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

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

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

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

3. Summary of significant accounting policies

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

Property and equipment

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

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

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Property and equipment (continued)

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

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

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

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

Intangible assets

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

Inventories

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

Financial assets

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

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

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

Impairment of financial assets

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

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

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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

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

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

Investment in subsidiary

Investment in subsidiary are stated at cost less allowance for impairment in the separate statement of financial position. The Company evaluates recoverability of investment in subsidiary 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 subsidiary 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.

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 16). 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.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Offsetting

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

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

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

Provisions and contingencies

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

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

Share capital

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

Dividends

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

Revenue recognition

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

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

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

Revenue from transaction processing

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

Revenue from personalisation services

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

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.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Interest income

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

Foreign currency translation

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

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

Standards issued but not yet effective

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

IFRS 9 *Financial Instruments*

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

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

(a) Classification and measurement

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

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

(b) Impairment of financial assets

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

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 16 Leases

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

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

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

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

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

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

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

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

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

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

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

(Thousands of Georgian Lari unless otherwise stated)

4. Property and equipment

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

	Self service terminals and spare parts	*Land and buldings*	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Leashold improve-ments*	*Other equip-ment*	*Total*
Cost								
1 January 2016	**14,255**	**908**	**473**	**3,430**	**258**	**147**	**51**	**19,522**
Additions	2,101	10	23	746	12	20	6	2,918
Disposals	(447)	–	(14)	(198)	–	–	(25)	(684)
31 December 2016	**15,909**	**918**	**482**	**3,978**	**270**	**167**	**32**	**21,756**
Additions	1,814	15	15	663	94	25	4	2,630
Disposals	(458)	–	(49)	(908)	(100)	–	(11)	(1,526)
31 December 2017	**17,265**	**933**	**448**	**3,733**	**264**	**192**	**25**	**22,860**
Accumulated depreciation and impairment								
1 January 2016	**2,504**	**5**	**238**	**1,691**	**115**	**2**	**32**	**4,587**
Depreciation charge	1,508	9	48	670	40	30	11	2,316
Disposals	(108)	–	(14)	(190)	–	–	(25)	(337)
31 December 2016	**3,904**	**14**	**272**	**2,171**	**155**	**32**	**18**	**6,566**
Depreciation charge	1,597	10	47	735	38	36	6	2,469
Disposals	(46)	–	(49)	(908)	(53)	-	(11)	(1,067)
31 December 2017	**5,455**	**24**	**270**	**1,998**	**140**	**68**	**13**	**7,968**
Net book value:								
1 January 2016	**11,751**	**903**	**235**	**1,739**	**143**	**145**	**19**	**14,935**
31 December 2016	**12,005**	**904**	**210**	**1,807**	**115**	**135**	**14**	**15,190**
31 December 2017	**11,810**	**909**	**178**	**1,735**	**124**	**124**	**12**	**14,892**

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

	Self service terminals and spare parts	*Land and buldings*	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Total*
Cost						
1 January 2016	**1,758**	**908**	**436**	**3,132**	**93**	**6,327**
Additions	37	10	18	708	–	773
Disposals	(7)	–	(14)	(186)	–	(207)
31 December 2016	**1,788**	**918**	**440**	**3,654**	**93**	**6,893**
Additions	43	15	9	621	18	706
Disposals	–	–	(39)	(848)	(43)	(930)
31 December 2017	**1,831**	**933**	**410**	**3,427**	**68**	**6,669**
Accumulated depreciation and impairment						
1 January 2016	**44**	**5**	**220**	**1,617**	**81**	**1,967**
Depreciation charge	176	9	44	607	5	841
Disposals	(1)	–	(14)	(178)	–	(193)
31 December 2016	**219**	**14**	**250**	**2,046**	**86**	**2,615**
Depreciation charge	179	10	43	671	5	908
Disposals	–	–	(39)	(848)	(43)	(930)
31 December 2017	**398**	**24**	**254**	**1,869**	**48**	**2,593**
Net book value:						
1 January 2016	**1,714**	**903**	**216**	**1,515**	**12**	**4,360**
31 December 2016	**1,569**	**904**	**190**	**1,608**	**7**	**4,278**
31 December 2017	**1,433**	**909**	**156**	**1,558**	**20**	**4,076**

(Thousands of Georgian Lari unless otherwise stated)

5. Intangible assets

	Separate	*Consolidated*
Cost		
1 January 2016	**3,134**	**3,861**
Additions	1,799	1,817
Disposals	(196)	(196)
31 December 2016	**4,737**	**5,482**
Additions	1,299	1,301
Disposals	(192)	(192)
31 December 2017	**5,844**	**6,591**
Accumulated amortisation and impairment		
1 January 2016	**1,067**	**1,110**
Amortisation charge	451	565
Disposals	(196)	(196)
31 December 2016	**1,322**	**1,479**
Amortisation charge	660	774
Disposals	(192)	(192)
31 December 2017	**1,790**	**2,061**
Net book value:		
1 January 2016	**2,067**	**2,751**
31 December 2016	**3,415**	**4,003**
31 December 2017	**4,054**	**4,530**

6. Inventories

	2017	*2016*	*1 January 2016*
Spare parts	1,187	1,496	2,414
Other	438	519	241
Total inventories	**1,625**	**2,015**	**2,655**

7. Prepayments and other current assets

The Group's prepayments and other current assets comprised:

	2017	*2016*	*1 January 2016*
Operating taxes receivable	462	736	706
Prepayments for inventories	158	1	30
Prepayments for services	78	176	122
Prepayments to related parties (Note 18)	11	10	11
Others	43	26	7
Total prepayments and other current assets	**752**	**949**	**876**

The Company's prepayments and other current assets comprised:

	2017	*2016*	*1 January 2016*
Operating taxes receivable	462	736	689
Prepayments for services	55	159	104
Prepayments to related parties (Note 18)	7	6	7
Prepayments for inventories	–	–	2
Total prepayments and other current assets	**524**	**901**	**802**

(Thousands of Georgian Lari unless otherwise stated)

8. Accounts receivable

	2017	*2016*	*1 January 2016*
Receivables from related parties (Note 18)	849	661	1,562
Other receivables	209	151	56
	1,058	**812**	**1,618**
Less – Allowance for impairment	(26)	(26)	(5)
Total accounts receivable, net	**1,032**	**786**	**1,613**

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

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

9. Amounts due from credit institutions

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

10. Cash and cash equivalents

The Group's cash and cash equivalents comprised:

	2017	*2016*	*1 January 2016*
Settlement-related cash in transit	15,561	11,667	10,648
Settlement-related cash on a related party bank account	18,377	11,623	5,947
Cash on a related bank account	2,607	2,239	2,710
Cash on a third party bank account	–	28	16
Cash on hand	1,271	968	1,103
Total cash and cash equivalents	**37,816**	**26,525**	**20,424**

The Company's cash and cash equivalents comprised:

	2017	*2016*	*1 January 2016*
Cash on a related bank account	1,714	839	1,971
Cash on a third party bank account	–	28	16
Cash on hand	1	–	1
Total cash and cash equivalents	**1,715**	**867**	**1,988**

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

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

11. Equity

As at 31 December 2017, 31 Decemer 2016 and 1 January 2016, issued and paid up share capital comprised 11,723,990 ordinary shares with a par value of one Georgian Lari.

Earnings per share

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

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

	2017	*2016*
Net loss attributable to ordinary equity holders	1,654	992
Weighted average number of ordinary shares	11,723,990	11,723,990
Basic and diluted loss per share	**0.14**	**0.08**

(Thousands of Georgian Lari unless otherwise stated)

12. Accounts payable

The Group's accounts payable comprised:

	2017	*2016*	*1 January 2016*
Payables to related parties (Note 18)	34,751	24,129	17,465
Accruals for employee compensation	410	302	213
Operating taxes payable	15	84	–
Payables for property and equipment and intangible assets	3	351	68
Payables for property and equipment and intangible assets to related party (Note 18)	–	413	1,523
Other payables	121	154	238
Total accounts payable	**35,300**	**25,433**	**19,507**
Current	35,300	25,433	19,099
Non-current	–	–	408

The Company's accounts payable comprised:

	2017	*2016*	*1 January 2016*
Accruals for employee compensation	266	169	149
Payables to related parties (Note 18)	14	–	–
Payables for property and equipment and intangible assets	3	351	68
Payables for property and equipment and intangible assets to related party (Note 18)	–	413	1,523
Operating taxes payable	–	47	–
Other payables	38	43	156
Total accounts payable	**321**	**1,023**	**1,896**
Current	321	1,023	1,488
Non-current	–	–	408

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

13. 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.

Contract assets and liabilities

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

	2017	*2016*	*1 January 2016*
Accounts receivable *	1,032	786	1,613
Advances received	301	1	–

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

	2017	*2016*	*1 January 2016*
Accounts receivable	201	247	178
Advances received	301	1	16

** As at 31 December 2016, accounts receivable droped principally due to decrease in number of transactions processed as in September 2016 the related party servicing bank had started to charge additional commission from individuals. In 2017, the Company increased fee for transaction processing to be paid by the related party servicing by approximately 50% which led to increase in accounts receivable as at 31 December 2017 accordingly.*

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.

(Thousands of Georgian Lari unless otherwise stated)

14. Other operating income and expense

The Group's other operating income and expense comprised:

	2017	*2016*
Net gain from sale of refurbishement services and equipment	182	273
Revenue from sale of software	310	379
Other operating income	253	134
Total other operating income	**745**	**786**
Repair and maintenance	1,296	1,023
Cost of inventory used	743	1,479
Communication networking	611	641
Cash collection	348	323
Operating taxes	316	292
Electricity, water, gas and other utilities	204	207
Stolen and damaged banknotes	187	279
Commission fees	135	74
Net loss from disposal of property and equipment	15	–
Other operating expenses	513	496
Total other operating expense	**4,368**	**4,814**

The Company's other operating income and expense comprised:

	2017	*2016*
Revenue from sale of software	310	379
Rent income	272	273
Net gain from sale of refurbishement services and equipment	16	–
Other operating income	113	58
Total other operating income	**711**	**710**
Repair and maintenance	620	573
Communication networking	515	528
Operating taxes	187	168
Cost of inventory used	88	149
Other operating expenses	291	254
Total other operating expense	**1,701**	**1,672**

15. Salaries and other employee benefits

The Group's salaries and other employee benefits comprised:

	2017	*2016*
Salaries and other benefits	5,610	5,341
Cash bonuses	480	338
Total salaries and other employee benefits	**6,090**	**5,679**

The Company's salaries and other employee benefits comprised:

	2017	*2016*
Salaries and other benefits	1,726	1,936
Cash bonuses	332	205
Total salaries and other employee benefits	**2,058**	**2,141**

16. 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.

(Thousands of Georgian Lari unless otherwise stated)

16. Taxation (continued)

In 2017, the Group had no distributed profits (dividends). In 2016, the Group recognised income tax benefit resulting from reversal of deferred tax liability of GEL 620 in profit or loss.

The corporate income tax expense comprised:

	2017	*2016*
Current tax expense	–	–
Deferred tax benefit – origination and reversal of temporary differences	–	620
Income tax benefit	**–**	**620**

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.

17. Risk arising from financial instruments

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

Credit risk

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

- Cash at banks and amounts due from credit institutions

  As at 31 December 2017, 31 December 2016 and 1 January 2016, the Group placed GEL 22,002, GEL 14,391 and GEL 9,780 with the related party bank, having ratings of *BB-/B* from Standard & Poor's, *B1/NP (FC) & Ba3/NP (LC)* from Moody's and *BB-/B* from Fitch Ratings.

- Accounts receivable

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

Liquidity risk

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

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

Market risk

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

18. 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.

(Thousands of Georgian Lari unless otherwise stated)

18. Related party transactions (continued)

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

	2017		*2016*		*1 January 2016*	
	*Parent**	*Entities under common control*	*Parent**	*Entities under common control*	*Parent**	*Entities under common control*
Assets						
Cash and cash equivalents	–	20,984	–	13,862	–	8,657
Amounts due from credit institutions	–	1,018	–	529	–	1,123
Accounts receivable	–	849	–	661	–	1,562
Prepayments and other current assets	–	11	–	10	–	11
	–	**22,862**	**–**	**15,062**	**–**	**11,353**
Liabilities						
Accounts payable	12	33,739	12	24,529	–	18,972
Paybles to shareholders	–	–	–	–	1,033	–
Advances received	–	301	–	1	–	–
	12	**35,040**	**12**	**24,530**	**1,033**	**18,988**

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

	2017		*2016*		*1 January 2016*	
	*Parent**	*Entities under common control*	*Parent**	*Entities under common control*	*Parent**	*Entities under common control*
Assets						
Cash and cash equivalents	–	1,714	–	839	–	1,971
Amounts due from credit institutions	–	–	–	–	–	644
Accounts receivable	–	126	–	142	–	135
Prepayments and other current assets	–	7	–	6	–	7
	–	**1,847**	**–**	**987**	**–**	**2,757**
Liabilities						
Accounts payable	–	14	–	413	–	1,523
Paybles to shareholders	–	–	–	–	1,033	–
Advances received	–	301	–	1	–	16
	–	**315**	**–**	**414**	**1,033**	**1,539**

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

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

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

(Thousands of Georgian Lari unless otherwise stated)

18. Related party transactions (continued)

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

	2017		2016	
	*Parent**	*Entities under common control*	*Parent**	*Entities under common control*
Sales				
Revenue from transaction processing services	–	12,972	–	11,028
Revenue from maintenance services	–	1,017	–	1,318
Revenue from personalisation services	–	529	–	499
	–	**14,518**	**–**	**12,845**
Other operating income				
Income from sale of property and equipment (a)	–	444	–	569
Income from sale of inventory (b)	–	72	–	–
Revenue from software development services	–	296	–	348
Other operating income	–	249	–	132
	–	**1,061**	**–**	**1,049**
Purchases and expenses				
Rent	118	265	90	228
Purchase of inventory	–	–	–	846
Other operating expenses	–	672	–	695
	118	**937**	**90**	**1,769**
Other items				
Interest income	–	18	–	6
Interest expense	–	(9)	–	(118)

* *Parent* column comprised outstanding balances and turnovers with the Parent, JSC Express Technologies.
(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.

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

	2017		2016	
	*Parent**	*Entities under common control*	*Parent**	*Entities under common control*
Sales				
Revenue from transaction processing services	–	4,797	–	3,527
Revenue from maintenance services	–	514	–	954
Revenue from personalisation services	–	529	–	499
	–	**5,840**	**–**	**4,980**
Other operating income				
Revenue from sale of software	–	296	–	348
Other operating income	–	10	–	17
	–	**306**	**–**	**365**
Purchases and expenses				
Rent	118	5	90	6
Other operating expenses	–	59	–	64
	118	**64**	**90**	**70**
Other items				
Interest income	–	–	–	3
Interest expense	–	(9)	–	(118)

In 2017 and 2016, compensation of the Group's key management personnel totalled GEL 156 and GEL 186 respectively. In 2017 and 2016, compensation of the Company's key management personnel totalled GEL 102 and GEL 143, respectively.

(Thousands of Georgian Lari unless otherwise stated)

19. Events after the reporting date

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

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

JSC Georgian Card

The Group's Management Report

2017

The Group's Management Report

Introduction

This document incorporates the essential components related to the JSC Georgian Card ("the Company") and its subsidiary (together referred to as "the Group"), such as the review of the activities, service standards and benchmark values; it includes the previous achievements of the Company as well as the future plans and, most importantly, factual indicators of the development potential of the Company. In addition, we would like to share with you the analytical information on the business risks that create minor or serious obstacles for the activities.

This document includes our vision, future plans and the standards of corporate ethics established at the Group.

Chief Executive Officer's Statement

I am pleased to present the Group's management report of JSC Georgian Card. The purpose of the report is to demonstrate the range of our activities and our will to expand the existing business in line with the quality and efficiency.

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

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

Review of the Activities

About us

JSC Georgian Card is an advanced service operator in the payment business, which has been serving the companies in Georgia since 1997 and still maintains its leading position on the market: by processing about 200 operations per second for 1,000 ATMs, more than 10,000 POS terminals and over 3,000 self-service terminals.

The services offered by JSC Georgian Card and its subsidiary include card personalization, mobile, internet and card payments. The above is provided by the PCI DSS infrastructure of international standards, which guarantees quick and safe processing of transactions.

The Group is a strategic partner to many financial institutions, including commercial banks and microfinance organizations. The processing centre offers its customers high-tech new 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 has 100% ownership in LLC Direct Debit Georgia, and the main shareholder of the JSC Georgian Card is the holding company JSC Express Technologies, which is owned by the Public Limited Company (PLC) BGEO Group that is registered on London Stock Exchange (in June 2018, as a result of demerger, BGEO Group was replaced by the Bank of Georgia Group PLC).

What we do

Processing of transactions

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

Card personalisation

The Group provides personalisation of banking and non-banking (discount, club, debit/credit, identification, etc.) cards. The design of non-bank cards is determined by a customer.

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

Review of the Activities (continued)

What we do (continued)

3D card operations

3D security service is implemented at JSC Georgian Card. The 3D security service is an additional level 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 unauthorised and fraudulent transactions.

Card tokenisation

The card emulation (tokenisation) service is implemented at JSC Georgian Card for Visa as well as MasterCard cards.

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

Minimisation 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.

Discount card system

The software has been developed within our processing system for serving the discount cards, which enables to carry out different actions.

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.

Upon the request of the customer JSC Georgian Card makes plastic cards that are subsequently distributed to the cardholders. The customer will be able to use those cards at any facility, which meets the following conditions:

- are agreed with the client on the use of those discount cards;
- the respective discount rates are set and specified in the system/programme.

Discount can be provided through POS terminals. After using the loyalty card, the device sends information to the system/programme, from which the information on the discounted amount is sent back. After obtaining information from the system, the existing intermediary application sends the data to the LMS programme, which makes necessary calculations and sends the reply through the same intermediary device.

The software is equipped with many features. It allows to administer customers, order cards, view discount operations, assign discounts, etc.

In terms of a merchant (a retail or service facility), discounts can be registered according to different parameters, such as:

- on a specific terminal/on all terminals;
- according to the dates – start/finish;
- according to hours;
- according to the days of the week;
- according to the amount.

The features of the discount card are as follows:

- the payment card with the ISO 8583 standard magnetic line, on which the technical features of the card are embossed;
- the client verification mode (for example the PIN request) is turned off on the card;
- the cards are made in advance, without names, and are supplied to the company;
- the cards are made according to the client's design and the company's logo is embossed on them;
- the cards are personalised with a unique 9-digit BIN code for the non-financial card products, granted to the company within JSC Georgian Card system;
- the cards personalisation deadline can be agreed upon and their validity can be terminated before the deadline.

Review of the Activities (continued)

What we do (continued)

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 cash from the ATMs.

Recurring payments

Recurring, i.e. automatically repeating, payments are the operations that enable the cardholder to automatically pay the price of the chosen products with the online trade representatives, according to the preliminarily determined frequency, by transferring that amount from the account. First of all, the service helps to save time and money of the cardholder.

Network management and monitoring

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

- permanent monitoring of the real-time transactions through POS terminals and ATMs;
- recording any technical hindrances communicated through the hot line;
- telephone consultation 24/7;
- remote solution of problems;
- repair and replacement of the existing devices by the technical support team within the shortest timeframes (in Tbilisi – in 12 hours, in regions – in 24 hours).

Multifunctional self-service terminals

The company within the Group, LLC Direct Debit Georgia, looks for the locations to set up self-service terminals, provides their technical support and maintenance and accumulates cash paid by the customers through those terminals.

The self-service terminals in almost any part across Georgia are tailored to the demands of modern society and provide access to the payment of the fees of any type of services within the shortest period of time and with almost no effort. We provide the payment services for the following categories and for many other service providers:

- utility services and cable TV providers;
- mobile, telephone and internet operators;
- taxes determined by the state budget;
- parking and transportation fees;
- banking services such as deposits, credit and other payments;
- charitable donations;
- tickets for cinema, theatre and other events.

This is just an incomplete list; multifunctional services are updated very often.

In 2016, LLC Direct Debit Georgia won the competition announced by the Public Service Hall, which included placement of self-service terminals at the Public Service Halls all over Georgia. 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 network of the self-service terminals of JSC Bank of Georgia.

Specialised self-service terminals

Since 2017, new projects have been implemented at LLC Direct Debit Georgia, which include the specialised self-service terminals. Those terminals are intended for the companies that have high turnover during the day in a form of cash payment. By depositing cash into the specialised self-service terminals at the end of the day, companies may avoid a long procedure of collection of money and its depositing on the accounts, save human resources and, most importantly, instantly reflect the turnover of the day on their bank accounts.

Review of the Activities (continued)

What we do (continued)

Specialised self-service terminals (continued)

At present, the specialised terminals are used by big petrol stations and gas stations in Georgia, such as:

- Gulf Georgia;
- Socar Georgia Petroleum;
- Neogas;
- Rompetrol NV.

Cashier-Operators

LLC Direct Debit Georgia has created a "one window principle" for providing the quality and fast service, which implies placement of the Cashier-Operators at the Public Service Halls, Service Development Agencies, medical establishments, the offices of the LLC KazTransGas Tbilisi and Batumi Customs Clearance Zone.

One of these projects is the provision of all kinds of state service payment at the Public Registry. This project started in 2006 and successfully continues up to now.

In 2011, the cashiers of the LLC Direct Debit Georgia were allocated at various medical institutions in the regions. The company is already operating at all clinics of JSC Medical Corporation Evex. Within the project the expansion of the cashiers is also planned together with the expansion of the network.

Since March 2011 customs duty and other payment services are provided by LLC Direct Debit Georgia at Batumi International Container Terminal.

Since 2011, LLC Direct Debit Georgia provides the payment services through its cashiers to the customers at the offices of LLC KazTransGas Tbilisi.

Our services are always in demand because we offer our customers the following:

- payment services to more than 300 providers;
- easy access to those providers through terminals and other payment channels;
- convenient and easy to use interface;
- affordable rent and installation costs;
- 24/7 customer support and assistance;
- continuous monitoring of the payment channels network.

Brief financial review

JSC Georgian Card is a subsidiary organisation of JSC Express Technologies within the Bank of Georgia Group PLC. Based on the global policy of the Group, according to the request of the founder, from the time of its establishment the accounting policy of JSC Georgian Card has been in conformity with the IFRS standards. The audit service was provided to the company by the EY Georgia. The published report includes the financial condition for the last three years.

The brief financial information of the Group is given below:

Statement of financial position	**2017**	**2016**	**1 January 2016**
Total assets	**61,893**	**50,073**	**44,809**
Total equity attributable to the Company's shareholders	**26,259**	**24,605**	**23,613**
Total liabilities	**35,634**	**25,468**	**21,196**
Total liabilities and equity	**61,893**	**50,073**	**44,809**
Income statement	**2017**	**2016**	
Total income	16,233	14,563	
Operating expenses	(14,658)	(14,235)	
Operating profit	**1,575**	**328**	
Other financial items	79	44	
Profit before tax	**1,654**	**372**	
Income tax benefit	-	620	
Net profit for the period	**1,654**	**992**	

According to the data of 2017, the equity of the Group has increased by GEL 1.6 million and the total income has increased by GEL 1.7 million.

Review of the Activities (continued)

Brief financial review (continued)

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 minimise the probability of fraud, JSC 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 banks.

JSC Georgian Card is one of the first processing centres in Georgia, which complies with the Payment Card Industry Data Security Standards (PCI DSS). Since 2010, 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 organisations, 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 Programme, 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. Our 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.

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 and 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.

Risk factors

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

Liquidity risk means that the company 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 2017 and 31 December 2016, all financial liabilities of the Company 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 expects to fulfil its contractual obligations in the future.

Net cash flows from the Group's operating activities are increasing from year to year (2017 - GEL 16,155; 2016 – GEL 11,273).

The operating risks specific to JSC Georgian Card, which would potentially cause loss, are as follows:

- internal organisational fraud, for example: theft by the employees, unauthorised use and disclosure of information of the clients;
- fraud caused by external factors, for example: client data falsification, DDOS attacks;
- business interruption, systemic problems, for example: changes introduced without testing, troubleshooting issues due to physical infrastructure and software, telecommunication problems.

JSC Georgian Card uses the KRI (Key Risk Indicator) application policy. The operational risk indicators are determined for the purpose of prevention of the risks existing in the organisation and the accounting of the incidents recorded in the system. The main purpose of the KRI is to reduce the frequency and impact of big operational incidents.

Review of the Activities (continued)

Risk factors (continued)

The Risk Mitigation Plan is developed on the basis of the frequently repeating incidents. It should be noted that there are no incidents at the organisation caused by internal organisational factors and as for the external factors, which pose risk, the Risk Mitigation Plan is applied, which is a necessarily frequently updated document.

Corporate Management Report

The structure of the Group is aimed at simplification and efficiency of the business processes to the highest extent; Irakli Kodua is at the head of the structure.

Brief biography of the Chief Executive Officer

Irakli Kodua was appointed as the Chief Executive Officer of JSC Georgian Card in 2016, however his career within JSC Express Technologies Group has started in 2006. Since 2016, he has also been serving as Chief Executive Officer of JSC Express Technologies and Director of LLC Direct Debit Georgia.

He was Deputy Director of JSC Georgian Card in 2011-2016 and LLC Direct Debit Georgia in 2014-2016. He has extensive experience in finance.

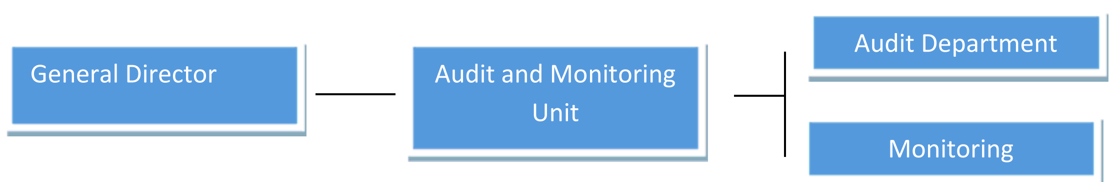
Irakli Kodua has academic degrees in IT and Law.

Peculiarities of the structure and examples

The Group consists of horizontally and vertically linked divisions, all of which are subordinated to the Chief Executive Officer and/or the supervisory structural unit. Those units are responsible for the operational activities of the Group.

The procedural documentation is separately prepared for each unit, which is then divided according to the description of the procedures characteristic to the functions and obligations assigned to each position. In the process of forming and updating our structure, decisive importance is given to the distinct delimitation of rights and responsibilities and the clear preparation of the procedural instructions in order to fully cover the work to be done so as to effectively use human or material resources.

Example of structural division is given below:



The Group's policies

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

Conflict of interest management policy

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

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

Corporate Management Report (continued)

Conflict of interest management policy (continued)

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

- activities outside the employer company;
- 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 labelling, 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 employing company, 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 organisation guarantees the anonymity of the applicant, whose application will be reviewed with full responsibility and by strict observance of confidentiality.

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

The owner of 99.4463% of the shares of the JSC Georgian Card is JSC Express Technologies, and the rights and obligations of the partners are regulated by the charter of joint stock company, which is a publicly available document.

The Supervisory Board is the supreme management body of the Company as well as the Shareholders Meeting. A shareholder shall have the right to manage the Company directly as well as through his/her representative.

Annual Shareholders' Meeting is held within two months after the end of each economic year. Additional details are provided in the Company's charter.

Non-financial Report

Review of the business model

The companies of the Group are registered at 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 centres in Transcaucasia, with only two payment system operators in Georgia.

In 2017, the card portfolio of JSC Georgian Card reached 2,391,900. The processing centre serves 1,487 real and 1,762 virtual POS terminals. The number of the transactions has reached 144 958 426.

Among the payment service providers, LLC Direct Debit Georgia has a leading position due to the scale of its activities. It should be noted the Company's services are multi-functional and innovative. Only the terminals of the LLC Direct Debit Georgia allow to make payments with bank cards, also customers can refill the transportation card limits only through our kiosks and cashiers. In 2018, the number of self-service terminals has reached 2500.

Non-financial Report (continued)

Our team

The Group employs about 410 persons. . Out of applicants, we choose the most motivated and committed people. The essential role in carrying out the Group's activities successfully is played by human resources, so we try to create optimal conditions for effective labour 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 environment at work

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

We 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 catalogues, possessed by JSC Georgian Card, is available on official website of the Office of the Personal Data Protection Inspector.

Health and safety at the workplace

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

The organization's building is equipped with the fire protection infrastructure, also the trainings are delivered for the staff on the methods of prevention of accidents and on quick reactions during the natural disasters and unforeseen circumstances.

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

Anti-corruption policy

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

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 Company or within the Company is in compliance with this policy.

Persons responsible for the preparation and submission of financial statements and management reports

The person authorised to manage the Company, namely the Chief Executive Officer, is responsible for the submission of the financial statements and management reports.