JSC Georgian Card

Consolidated and separate IFRS financial statements

For the year ended 31 December 2018
With Independent Auditor's Report

CONTENTS

Nexia TA

Member of Nexia International

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated and separate financial statements (the "Financial Statements") of JSC Georgian Card (the "Company") and its subsidiary (together – "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018, and their financial performance and their 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 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 (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the "IESBA Code".

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 19 to the 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 Matter

The financial statements of the Company and the Group for the year ended 31 December 2017 were audited by another auditor who expressed unmodified opinion on those statements on 11 September 2018.

Other Information included in the Company's and the Group's Management Report

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or does not materially comply with the requirements of the respective regulatory normative acts, or otherwise appears to be materially misstated based on our knowledge obtained in the audit. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In our opinion, based on the work performed in the course of our audit, the information given in the Management Reports, in all material respects:

- Is consistent with the financial statements for the year ended 31 December 2018; and
- Includes the information required by the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 scepticism 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

On behalf of Nexia TA LLC

27 June, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

(Thousands of Georgian Lari)

	Notes	31-Dec-2018	31-Dec-2017
Assets			
Non-current assets			
Property and equipment	5	14,889	14,892
Intangible assets	6	5,850	4,530
Prepayments for property, equipment and intangible assets	8	297	224
		21,036	**19,646**
Current assets			
Inventories	7	3,404	1,625
Prepayments and other current assets	8	817	752
Current income tax asset		-	4
Accounts receivable	9	1,175	1,032
Amounts due from credit institutions	10	535	1,018
Cash and cash equivalents	11	27,275	37,816
		33,206	**42,247**
Total assets		**54,242**	**61,893**
Equity			
Share capital	12	11,724	11,724
Share premium	12	8,528	8,528
Retained earnings		7,755	6,007
Total equity		**28,007**	**26,259**
Current liabilities			
Accounts payable	13	26,032	35,300
Advances received		170	301
Dividends payable		33	33
Total liabilities		**26,235**	**35,634**
Total equity and liabilities		**54,242**	**61,893**

The financial statements on pages 1 to 29 were approved by the management of JSC Georgian card on 27 June 2019 and signed on its behalf by:

Irakli Kodua Chief Executive Officer

27 June 2019

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

(Thousands of Georgian Lari)

	Notes	31-Dec-2018	31-Dec-2017
Assets			
Non-current assets			
Property and equipment	5	14,889	14,892
Intangible assets	6	5,850	4,530
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Irakli Kodua Chief Executive Officer

27 June 2019

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SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

(Thousands of Georgian Lari)

	Notes	*31-Dec-2018*	*31-Dec-2017*
Assets			
Non-current assets			
Property and equipment	5	4,868	4,076
Intangible assets	6	5,491	4,054
Investment in subsidiary	1	16,752	16,752
Prepayments for property, equipment and intangible assets	8	297	224
		27,408	**25,106**
Current assets			
Inventories		256	264
Prepayments and other current assets	8	581	524
Current income tax asset		-	4
Accounts receivable		248	201
Cash and cash equivalents	11	1,463	1,715
		2,548	**2,708**
Total assets		**29,956**	**27,814**
Equity			
Share capital	12	11,724	11,724
Share premium	12	8,528	8,528
Retained earnings		8,802	6,907
Total equity		**29,054**	**27,159**
Current liabilities			
Accounts payable	13	699	321
Advances received		170	301
Dividends payable		33	33
Total liabilities		**902**	**655**
Total equity and liabilities		**29,956**	**27,814**

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Georgian Lari unless otherwise stated)

	Notes	*2018*	*2017*
Revenue from transaction processing		16,306	13,552
Revenue from personalisation services		483	554
Revenue from maintenance and other services		1,246	1,382
Total revenues	14	**18,035**	**15,488**
Other operating income	15	888	745
Salaries and other employee benefits	16	(7,107)	(6,090)
Rent		(1,059)	(958)
Depreciation and amortisation	5, 6	(3,671)	(3,242)
Other operating expenses	15	(5,322)	(4,368)
Operating profit		**1,764**	**1,575**
Interest income		23	18
Interest expense		-	(9)
Foreign exchange loss		(39)	70
Profit before income tax expense		**1,748**	**1,654**
Income tax expense	17	-	-
Total comprehensive income for the year		**1,748**	**1,654**
Basic and diluted earnings per share in GEL		**0.15**	**0.14**

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Georgian Lari)

	Notes	*2018*	*2017*
Revenue from transaction processing		6,798	5,050
Revenue from personalisation services		483	554
Revenue from maintenance and other services		506	591
Total revenues	14	**7,787**	**6,195**
Other operating income	15	575	711
Salaries and other employee benefits	16	(2,400)	(2,058)
Rent		(145)	(144)
Depreciation and amortisation	5, 6	(1,908)	(1,567)
Other operating expenses	15	(2,003)	(1,701)
Operating profit		**1,906**	**1,436**
Interest expense		-	(9)
Foreign exchange loss		(11)	(5)
Profit before income tax expense		**1,895**	**1,422**
Income tax expense	17	–	–
Total comprehensive income for the year		**1,895**	**1,422**

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Georgian Lari)

	Share capital	***Share premium***	***Retained earnings***	***Total***
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**
Total comprehensive income for the year	-	-	1,748	**1,748**
31 December 2018	**11,724**	**8,528**	**7,755**	**28,007**

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Georgian Lari)

	Share capital	*Share premium*	*Retained earnings*	*Total*
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**
Total comprehensive income for the year	-	-	1,895	**1,895**
31 December 2018	**11,724**	**8,528**	**8,802**	**29,054**

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Georgian Lari)

	Notes	*2018*	*2017*
Cash flows from operating activities			
Profit before tax		1,748	1,654
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	5, 6	3,671	3,242
Gain on sale of property and equipment		(337)	(1)
Allowance expenses		25	–
Working capital adjustments:			
Change in inventories		(1,779)	390
Change in prepayments and other current assets		(65)	247
Change in accounts receivable		(168)	(246)
Change in accounts payable and advances received		(9,671)	10,878
Net cash flows from operating activities before interest and tax		**(6,576)**	**16,164**
Interest paid		–	(9)
Net cash flows from / (used in) operating activities		**(6,576)**	**16,155**
Cash flows used in investing activities			
Purchase of property and equipment and intangible assets		(5,369)	(4,834)
Proceeds from sale of property and equipment		921	460
Repayment of amounts due from credit institutions		483	(489)
Net cash used in investing activities		**(3,965)**	**(4,863)**
Cash flows used in financing activities			
Dividends paid		–	(1)
Net cash used in financing activities		**–**	**(1)**
Net increase / (decrease) in cash and cash equivalents		**(10,541)**	**11,291**
Cash and cash equivalents, beginning	11	**37,816**	**26,525**
Cash and cash equivalents, end	11	**27,275**	**37,816**
Non-cash financing and investing activities			
Acquisition of property and equipment on deferred payment terms		282	3

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousands of Georgian Lari)

	Notes	*2018*	*2017*
Cash flows from operating activities			
Profit before tax		1,895	1,422
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	5, 6	1,908	1,567
Gain on sale of property and equipment		(10)	(16)
Allowance expenses		2	–
Working capital adjustments:			
Change in inventories		8	(5)
Change in prepayments and other current assets		(59)	377
Change in accounts receivable		(47)	46
Change in accounts payable and advances received		(25)	359
Net cash flows from operating activities before interest and tax		**3,672**	**3,750**
Interest paid		–	(9)
Net cash flows from operating activities		**3,672**	**3,741**
Cash flows used in investing activities			
Purchase of property and equipment and intangible assets		(3,942)	(2,908)
Proceeds from sale of property and equipment		18	16
Net cash used in investing activities		**(3,924)**	**(2,892)**
Cash flows used in financing activities			
Dividends paid		–	(1)
Net cash used in financing activities		**–**	**(1)**
Net increase / (decrease) in cash and cash equivalents		**(252)**	**848**
Cash and cash equivalents, beginning	11	**1,715**	**867**
Cash and cash equivalents, end	11	**1,463**	**1,715**
Non-cash financing and investing activities			
Acquisition of property and equipment on deferred payment terms		282	3

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

(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 consolidated financial statements of the Group for the year ended 31 December 2018 and 2017 comprise the Company and its wholly owned subsidiary, LLC Direct Debit Georgia, (together referred as the "Group ").

The Group provides transaction processing, personalisation, payment services via cash desks or self service terminals as well as maintenance services of self service terminals. As at 31 December 2018, the Company's shareholders were as follows:

	2018	***2017***
JSC Express Technologies	99.46%	99.46%
Others	0.54%	0.54%
	100.00%	**100.00%**

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

As at 31 December 2018, 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), unless otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (together – "the Group") as at 31 December 2018. 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 consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

(Thousands of Georgian Lari unless otherwise stated)

2. Basis of preparation (continued)

Basis of consolidation (continued)

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.

Intangible assets

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

Property and equipment

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

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

(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 non-current 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 non-current spare parts may include uninstalled major spare parts. These assets are depreciated after they are installed to self service terminals.

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

Inventories

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

Financial instruments – initial recognition and subsequent measurement

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

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

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

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company and the Group has applied the practical expedient, the Company and the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

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

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Subsequent measurement

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

• Financial assets at amortised cost (debt instruments)

• Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

• Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

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

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; And

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Derecognition of financial assets

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

• The rights to receive cash flows from the asset have expired; Or

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

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

Derecognition

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

Investment in subsidiary

Investment in subsidiary are stated at cost less allowance for impairment in the separate statement of financial position. The Group 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 17). Corporate income tax is paid on dividends is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Taxation (continued)

The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia. Withholding tax payable in respect of dividend distribution to the shareholders of the Group is recognised as deduction from equity in the statement of changes in equity.Georgian tax legislation also provides for charging corporate income tax on certain transactions that are considered deemed profit distributions (for example, transactions at non-market prices, non-business related expenses or supply of goods and services free of charge). Taxation of such transactions is accounted similar to operating taxes and is reported within other operating expenses.

Provisions and contingencies

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

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

Share capital

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

Dividends

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

Revenue recognition

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

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

The Company and the Group early adopted IFRS 15 Revenue from Contracts with Customers starting from 1 January 2016.

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

Revenue from transaction processing

The Group provides transaction processing services that include receipt of cash amounts from an individual either via self service terminal or cash desk for service(s) provided by a mechant and further transfer of such cash amounts to the related party bank which funds mechants simoultaneously with completion of payment transaction at self service terminal or cash desk.

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

Revenue from personalisation services

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

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from maintenance services

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

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 2018 and 2017 were 2.6766 and 2.5922 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 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.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)**Transition to IFRS 16**

The Group plans to adopt IFRS 16 using a modified retrospective approach with the date of initial application of 1 January 2019. The Group will recognize cumulative catch-up adjustment on opening balance sheet without the restatement of prior period comparatives. At transition the Group will recognise a lease liability for leases previously classified as an operating lease applying IAS 17. Lease liability will be measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group will also recognise a right-of-use asset for such leases at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The Group applies the following practical expedients:

- The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group relies on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- The Group excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months for leased assets and lease contracts for which the underlying asset is of low value.

During 2018, the Group has performed a detailed impact assessment for IFRS 16. The impact of IFRS 16 adoption is expected to be not significant.

4. Significant accounting judgments, estimates and assumptions

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, equipment and Intangible assets

Property, equipment and Intangible assets are depreciated over their useful lives. Useful lives are based on the management’s estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

Current useful lives of property, equipment and intangible assets are presented in the Note 3 above. Depreciation and amortisation charges are presented in the Notes 5 and 6 respectively.

Allowance for impairment of receivables

The Group regularly reviews its receivables to assess for impairment. For accounting purposes, allowance under IFRS 9 is based on the expected credit loss (ECL) associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. The carrying amount of allowance on receivables as at 31 December 2018 was GEL 51 thousand (2017: GEL 26 thousand).

The carrying amount of allowance on receivables as at 31 December 2018 was GEL 51 thousand (2017: GEL 26 thousand). Further details on allowance for impairment of receivables are disclosed in Note 9.

(Thousands of Georgian Lari unless otherwise stated)

5. Property and equipment

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

	Self service terminals and non-current spare parts	*Land and buldings*	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Leashold improve-ments*	*Other equip-ment*	*Total*
Cost								
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**
Additions	1,231	13	139	1,699	77	39	2	3,200
Disposals	(775)	-	(33)	(591)	(102)	-	(20)	(1,521)
31 December 2018	**17,721**	**946**	**554**	**4,841**	**239**	**231**	**7**	**24,539**
Accumulated depreciation and impairment								
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**
Depreciation charge	1,667	10	52	793	47	42	4	2,615
Disposals	(204)	-	(32)	(581)	(100)	-	(16)	(933)
31 December 2018	**6,918**	**34**	**290**	**2,210**	**87**	**110**	**1**	**9,650**
Net book value:								
31 December 2017	**11,810**	**909**	**178**	**1,735**	**124**	**124**	**12**	**14,892**
31 December 2018	**10,803**	**912**	**264**	**2,631**	**152**	**121**	**6**	**14,889**

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

	Self service terminals and non-current spare parts	*Land and buldings*	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Total*
Cost						
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**
Additions	51	13	100	1,598	12	1,774
Disposals	-	-	(31)	(570)	(38)	(639)
31 December 2018	**1,882**	**946**	**479**	**4,455**	**42**	**7,804**
Accumulated depreciation and impairment						
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**
Depreciation charge	184	10	41	727	8	970
Disposals	-	-	(30)	(560)	(37)	(627)
31 December 2018	**582**	**34**	**265**	**2,036**	**19**	**2,936**
Net book value:						
31 December 2017	**1,433**	**909**	**156**	**1,558**	**20**	**4,076**
31 December 2018	**1,300**	**912**	**214**	**2,419**	**23**	**4,868**

(Thousands of Georgian Lari unless otherwise stated)

6. Intangible assets

	Separate	***Consolidated***
Cost		
31 December 2016	**4,737**	**5,482**
Additions	1,299	1,301
Disposals	(192)	(192)
31 December 2017	**5,844**	**6,591**
Additions	2,375	2,376
Disposals	(294)	(294)
31 December 2018	**7,925**	**8,673**
Accumulated amortisation and impairment		
31 December 2016	**1,322**	**1,479**
Amortisation charge	660	**774**
Disposals	(192)	**(192)**
31 December 2017	**1,790**	**2,061**
Amortisation charge	938	**1,056**
Disposals	(294)	**(294)**
31 December 2018	**2,434**	**2,823**
Net book value:		
31 December 2017	**4,054**	**4,530**
31 December 2018	**5,491**	**5,850**

7. Inventories

	31-Dec-2018	***31-Dec-2017***
Spare parts	2,786	1,187
Other	618	438
Total inventories	**3,404**	**1,625**

8. Prepayments and other current assets

The Group's prepayments and other current assets comprised:

	31-Dec-2018	***31-Dec-2017***
Operating taxes receivable	610	462
Short-term prepayments for services	80	78
Short-term prepayments for inventories	10	158
Short-term prepayments to related parties (Note 19)	5	11
Others	112	43
Total prepayments and other current assets	**817**	**752**

The Company's prepayments and other current assets comprised:

	31-Dec-2018	***31-Dec-2017***
Operating taxes receivable	541	462
Short-term prepayments for services	33	55
Short-term prepayments to related parties (Note 19)	–	7
Others	7	–
Total prepayments and other current assets	**581**	**524**

The Company's and the Groups's perepayments for non-current assets comprised:

Prepayments for property, equipment and intangible assets as at 31 December 2018 amounted to 297 thousand (2017: 224 thousand) for both the Group and the Company as well.

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9. Accounts receivable

	31-Dec-2018	*31-Dec-2017*
Receivables from related parties (Note 19)	923	849
Other receivables	303	209
	1,226	**1,058**
Less – Allowance for impairment	(51)	(26)
Total accounts receivable, net	**1,175**	**1,032**

As at 31 December 2018 and 31 December 2017, 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 2018, 31 December 2017, Group's accounts receivable with an initial carrying value of GEL 51 thousand and GEL 26 thousand, respectively, were impaired and fully provided for, which is included in other operating expenses line in consolidated statement of comprehensive income.

10. Amounts due from credit institutions

As at 31 December 2018, amounts due from credit institutions were represented by short-term placements with banks with original maturity no longer than 12 months. In 2018 and 2017, the Group earned interest income of GEL 23 thousand and GEL 18 thousand, respectively on these placements.

Placements in banks 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 these placements, and there are no material differences between their book and fair values.

11. Cash and cash equivalents

The Group's cash and cash equivalents comprised:

	31-Dec-2018	*31-Dec-2017*
Settlement-related cash in transit	24,048	15,561
Settlement-related cash on a related party bank account (Note 19)	–	18,377
Cash on a related bank account (Note 19)	2,037	2,607
Cash on a third party bank account	197	–
Cash on hand	993	1,271
Total cash and cash equivalents	**27,275**	**37,816**

The Company's cash and cash equivalents comprised:

	31-Dec-2018	*31-Dec-2017*
Cash on a related bank account (Note 19)	1,462	1,714
Cash on hand	1	1
Total cash and cash equivalents	**1,463**	**1,715**

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

Balances with Related Parties are disclosed in Note 19.

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

12. Equity

As at 31 December 2018 and 31 December 2017, issued and paid up share capital comprised 11,723,990 ordinary shares with a par value of one Georgian Lari.

As at 31 December 2018 and 31 December 2017, the Company's share premium equals to GEL 8,528 thousand, which is the difference between total investment value (GEL 16,752 thousand), and par value of 8,223,990 shares issued.

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.

(Thousands of Georgian Lari unless otherwise stated)

12. Equity (Cotinued)

Earnings per share (Cotinued)

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

	2018	*2017*
Net profit attributable to ordinary equity holders	1,748	1,654
Weighted average number of ordinary shares	11,723,990	11,723,990
Basic and diluted earnings per share in GEL	**0.15**	**0.14**

13. Accounts payable

The Group's accounts payable comprised:

	31-Dec-2018	*31-Dec-2017*
Payables to related parties (Note 19)	25,017	34,751
Accruals for employee compensation	561	410
Payables for property and equipment and intangible assets	282	3
Operating taxes payable	35	15
Other payables	137	121
Total accounts payable	**26,032**	**35,300**
Current	26,032	35,300
Non-current	–	–

The Company's accounts payable comprised:

	31-Dec-2018	*31-Dec-2017*
Accruals for employee compensation	368	266
Payables to related parties (Note 19)	2	14
Payables for property and equipment and intangible assets	282	3
Other payables	47	38
Total accounts payable	**699**	**321**
Current	699	321
Non-current	–	–

As at 31 December 2018 and 31 December 2017, the carrying amounts disclosed above reasonably approximate their fair values.

14. Revenues from contracts with customers

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

Contract assets and liabilities

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

	31-Dec-2018	*31-Dec-2017*
Accounts receivable	1,175	1,032
Advances received	(170)	(301)

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

	31-Dec-2018	*31-Dec-2017*
Accounts receivable	248	201
Advances received	(170)	(301)

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)

15. Other operating income and expense

The Group's other operating income comprised:

	2018	*2017*
Net gain from sale of refurbishement services and equipment	437	182
Revenue from Software development	206	310
Other operating income	245	253
Total other operating income	**888**	**745**

The Group's other operating expenses comprised:

	2018	*2017*
Repair and maintenance	1,346	1296
Cost of inventory used	1,355	743
Communication networking	657	611
Operating taxes	374	316
Cash collection	360	348
Electricity, water, gas and other utilities	219	204
Commission fees	199	135
Stolen and damaged banknotes	170	187
Audit fees	60	-
Net loss from disposal of property and equipment	1	15
Other operating expenses	581	513
Total other operating expenses	**5,322**	**4,368**

The Company's other operating income and expense comprised:

	2018	*2017*
Rental income	272	272
Revenue from software development	206	310
Net gain from sale of refurbishement services and equipment	9	16
Other operating income	88	113
Total other operating income	**575**	**711**

The Company's other operating expenses comprised:

	2018	*2017*
Repair and maintenance	567	620
Communication networking	562	515
Operating taxes	252	187
Cost of inventory used	105	88
Audit fees	26	-
Other operating expenses	491	291
Total other operating expenses	**2,003**	**1,701**

16. Salaries and other employee benefits

The Group's salaries and other employee benefits comprised:

	2018	*2017*
Salaries and other benefits	6,549	5,610
Cash bonuses	558	480
Total salaries and other employee benefits	**7,107**	**6,090**

The Company's salaries and other employee benefits comprised:

	2018	*2017*
Salaries and other benefits	2,035	1,726
Cash bonuses	365	332
Total salaries and other employee benefits	**2,400**	**2,058**

17. Taxation

In June 2016, amendments to the Georgian tax law in respect of corporate income tax became enacted. The amendments became effective from 1 January 2017 for all Georgian companies except the banks, insurance companies and microfinance organization, for which the effective date is 1 January 2019. Under the new regulation, corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia, rather than on profit earned. The amount of tax payable on a

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dividend distribution is calculated as 15/85 of the amount of net distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax.

Following the enactment of the amendments, as at 31 December 2016, the Group reversed in full its deferred tax liability based on IAS 12 *Income Taxes* requirement to measure deferred taxes at 0% tax rate applicable for undistributed profits starting from 1 January 2017. In 2018 and 2017, the Group had no distributed profits (dividends). Management believes the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

18. Risk arising from financial instruments

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

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. As at 31 December 2018 and 31 December 2017, 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 2018, 31 December 2017, the Group placed GEL 2,572 thousand and GEL 22,002 thousand (the Company placed GEL 1,462 thousand and GEL 1,714 thousand, repectively) 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 and the Company are mostly denominated in GEL and due within 3 months from the reporting date. No significant accounts receivable are either past due or impaired as at 31 December 2018 and 31 December 2017.

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 2018 and 31 December 2017, the Group's all financial liabilities are due within 3 months and contractual undiscounted repayment obligations are equal to their carrying values.

Market risk

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

19. Related party transactions

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

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

(Thousands of Georgian Lari unless otherwise stated)

19. Related party transactions (continued)

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

	31-Dec-2018		*31-Dec-2017*	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Assets				
Cash and cash equivalents	–	2,037	–	20,984
Amounts due from credit institutions	–	535	–	1,018
Accounts receivable	–	923	–	849
Prepayments and other current assets	–	5	–	11
	–	**3,500**	**–**	**22,862**
Liabilities				
Accounts payable	–	25,017	12	33,739
Paybles to shareholders	–	–	–	–
Advances received	–	121	–	301
	–	**25,138**	**12**	**35,040**

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

	31-Dec-2018		*31-Dec-2017*	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Assets				
Cash and cash equivalents	–	1,462	–	1,714
Amounts due from credit institutions	–	–	–	–
Accounts receivable	–	194	–	126
Prepayments and other current assets	–	–	–	7
	–	**1,656**	**–**	**1,847**
Liabilities				
Accounts payable	–	2	–	14
Paybles to shareholders	–	–	–	–
Advances received	–	121	–	301
	–	**123**	**–**	**315**

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

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.

(Thousands of Georgian Lari unless otherwise stated)

19. Related party transactions (continued)

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

	2018		*2017*	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Sales				
Revenue from transaction processing services	–	15,249	–	12,972
Revenue from maintenance services	–	1,194	–	1,017
Revenue from personalisation services	–	422	–	529
	–	**16,865**	**–**	**14,518**
Other operating income				
Income from sale of property and equipment (a)	–	902	–	444
Income from sale of inventory (b)	–	59	–	72
Revenue from software development services	–	116	–	296
Other operating income	–	25	–	249
	–	**1,102**	**–**	**1,061**
Purchases and expenses				
Rent	133	14	118	265
Purchase of inventory	–	–	–	–
Other operating expenses	–	940	–	672
	133	**954**	**118**	**937**
Other items				
Interest income	–	23	–	18
Interest expense	–	–	–	(9)

* *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:

	2018		*2017*	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Sales				
Revenue from transaction processing services	–	6,660	–	4,797
Revenue from maintenance services	–	454	–	514
Revenue from personalisation services	–	422	–	529
	–	**7,536**	**–**	**5,840**
Other operating income				
Revenue from software development services	–	116	–	296
Other operating income	–	24	–	10
	–	**140**	**–**	**306**
Purchases and expenses				
Rent	125	–	118	5
Other operating expenses	–	26	–	59
	125	**26**	**118**	**64**
Other items				
Interest income	–	–	–	–
Interest expense	–	–	–	(9)

In 2018 and 2017, compensation of the Group's key management personnel totalled GEL 206 thousand and GEL 156 thousand respectively.

In 2018 and 2017, compensation of the Company's key management personnel totalled GEL 118 thousand and GEL102 thousand, respectively.

(Thousands of Georgian Lari unless otherwise stated)

20. Events after the reporting date

On 6 April 2019 the Group purchased seven new vehicles (with the value of GEL 35 thousand each) equipped with armored cabins and special permissions to change cash collection method in Tbilisi. This method replaces the old method, according to which whole process is performed through cars without any special types of equipment and they are owned by Cash collectors.

On 8 April 2019 the Group took new loan with amount of GEL 300 thousand from Related Party Company. Loan term is 36 months and interest rate is 10.7%.

JSC Georgian Card

The Group's Management Report

2018

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 goals 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.

Management Report is developed on the basis of the requirements of the Georgian Law On Accounting, Reporting and Auditing and does not serve any other commercial purposes.

Chief Executive Officer's Statement

I am pleased to present the Group's management report of the 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'm proud that at the JSC Georgian Card 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 the Group

JSC Georgian Card is an advanced service operator in the payment business, which has been serving the companies in Georgia since 1997 and maintains its leading position on the market till present.

The services offered by JSC Georgian Card Group 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 Company is a strategic partner to many financial institutions, including commercial banks and microfinance organizations. The processing center 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.

The JSC Georgian Card Group is the owner of 100% of the shares of Direct Debit Georgia LLC, and the main shareholder of the Group is the holding group JSC Express Technologies, which is owned by 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).

Review of the services

Processing of transactions

The service implies processing of card transactions of banks, microfinance organizations, loyalty service providers and other financial institutions included in the network of JSC Georgian Card network; provision /reporting of clearing information to 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.

Review of the Activities (continued)

Review of the services (continued)

Card personalization

JSC Georgian Card provides personalization of banking and non-banking (discount, club, accrual, identification, etc.) cards. The design of non-bank cards is determined by the customers based on whose wish the embossing of the cards is done.

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

3D security service

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

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

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

Discount card system

The 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. 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/program.

Discount can be provided through POS terminals. After using the loyalty card, the device sends information to the system/program, from where 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 program, which in its turn makes necessary calculations and sends the reply through the same intermediary link.

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

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 when paying underground, bus, minibus and ropeway transportation fees. The stickers can be also used for withdrawing money from the ATMs.

Recurrent payments

Recurrent, 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 withdrawing that amount from the account. The service, first of all, helps to save time and money of the cardholder.

Contactless payment applications

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

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

Review of the Activities (continued)

Review of the services (continued

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

This service makes it possible and easier to make payments without a credit card, contactless:

Since 2016, Bank of Georgia customers were able to make contactless payments through their cell phones. Therefore, it is enough for the user to download TSKAPP application in their Android system cell phones.

After downloading TSKAPP application in the cell phone, the user will be able to pay for any purchase and service fee by touching the cell phone to POS terminal.

Transactions monitoring

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

- permanent monitoring of the real-time transactions and peripheral devices (through POS terminal and ATM);
- telephone consultation and technical support 24/7;
- remote solution of problems;

Network management and monitoring

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

- permanent monitoring of the real-time transactions of POS terminal and ATM;
- registration of any technical failure stated on the hotline;
- 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 – within 12 hours, in the regions – within 24 hours).

Multifunctional self-service terminals

The company within the Group, Direct Debit Georgia, manages the network of up to 3,200 self-service terminals, provides their technical support and daily maintenance and looks for the locations for the self-service 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, theater and other events.
- From June 2018, a customer can purchase Metroman transport cards thought a dispenser integrated in self-service terminal.

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

Review of the Activities (continued)

Review of the services (continued)

In 2016, Direct Debit Georgia LTD 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 of Georgia. 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 (sums) 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.

Specialized self-service terminals

Since 2017, new projects have been implemented, which include the specialized 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 specialized 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.

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

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

Cashier-Operators

The Company 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 KazTransGas Tbilisi LLC and Batumi Customs Clearance Zone.

One of these projects is the acceptance 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 Company were allocated at various medical institutions in the regions.

From March 2011 up to now, customs duty and other payment services are provided by the Company at Batumi International Container Terminal.

From 2011 up to now, the Company 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.

Review of the Activities (continued)

Brief financial review

JSC Georgian Card is a subsidiary company 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 "Nexia TA" LTD. The published report includes the financial condition as of 2018 and 2017. The brief financial information of the Group is given below:

Financial statement	**2018**	**2017**
Total assets	**54,242**	**61,893**
Total equity intended for the company's shareholders	28,007	26,259
Total liabilities	26,235	35,634
Total liabilities and equity	54,242	61,893
Total income statement	**2018**	**2017**
Total income	18,923	16,233
Operating expenses	(17,159)	(14,658)
Operating consequences	**1,764**	**1,575**
Other financial consequences	(16)	79
Profit (loss) before taxes	**1,748**	**1,654**
Interest for the profit tax (expenses)	-	-
Net profit (loss) for the period	**1,748**	**1,654**

According to the data of 2018, the equity of the Group has increased by GEL 1.7 million, and the total income has increased by GEL 2.7 million.

Compliance with international standards

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

In order to protect customers and improve the payment security, as well as to minimize the probability of fraud, Georgian Card has 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 centers in Georgia, which complies with the Payment Card Industry Data Security Standards (PCI DSS). From 2010 to date, it has been successfully passing the Global Payment Security Standards compliance audit. The regular and consistent compliance with the PCI DSS policy and procedures facilitates JSC Georgian Card to be a reliable partner for the member organizations, to ensure performance of safe transactions and to protect cardholders from unreasonable use of their data.

JSC Georgian Card is also a member of the VISA PIN Security Program, the audit of which ensures the confidentiality of the cardholder's identification number (PIN) cryptography/ encryption keys and other personal data while performing card operations. VISA PIN Security Certificate confirms that the infrastructure and the operation of the equipment connected in the system meets the international standards.

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 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.

Review of the Activities (continued)

Risk factors

Like all business entities, JSC Georgian Card also faces many significant or minor risks. Operational risks related to information technology within the scope of activities and also the realization of market and commercial risks may adversely affect the Group's material property and its normal functioning. At this point we will focus only on the risks that we are aware of and that are important according to our estimation.

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 analyzed and managed by the management. As of December 31, 2018 and December 31, 2017, 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 Company will fulfill the contractual obligations in the future.

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

- internal organizational fraud, for example: theft by the employees, unauthorized 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 KRI index (Key Risk Indicator) application policy. The operational risk indicators are determined for the purpose of prevention of the risks existing in the Group and the accounting of the incidents recorded in the system. The main purpose of the KRI is to reduce the frequency and impact of large operational incidents.

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 group caused by internal organizational 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 company 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 carrier at the JSC Express Technologies Group has started in 2006. Since 2016 he has also been the Director of JSC Express Technologies and Direct Debit Georgia LLC.

He was the Deputy Chief Executive Officer of JSC Georgian Card in 2011-2016 and of Direct Debit Georgia LLC in 2014-2016. He has many years of experience in financial field.

Irakli Kodua has academic degrees in IT technologies and in law.

Peculiarities of the structure and examples

The structure of the Group consists of the horizontally and vertically linked subdivisions, 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 tax system operator.

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.

Corporate Management Report (continued)

Peculiarities of the structure and examples (continued)

Example of structural division is given below:

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.

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 labeling, moving, granting access to, storing and destroying the information.

Corporate Management Report (continued)

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 company, are the eyewitnesses of the violations happening around them. According to the policy, the employing company 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 99.46% of the shares of the Company is JSC Express Technologies, and the rights and obligations of the shareholders are regulated by the charter of the 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. The shareholder shall have the right to manage the company directly as well as through his/her representative.

The ordinary Shareholders' Meeting is held once a year within two months after the end of each economic year. Additional details on the body, having the management authority, are given in the charter of the joint stock company.

Non-financial Report

Review of the business model

JSC Georgian Card, with the office, 106, Beliashvili St., Tbilisi, and contact information - Tel: 0322 317 040 / E-mail: info@gc.ge , registered as an entrepreneur by the Resolution of January 17, 1997 of Krtsanisi District Court. 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 centers in Transcaucasia, with only two payment system operators in Georgia.

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

Our team

About 455 persons are employed at JSC Georgian Card Group. Out of a lot of candidates 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 labor and career development. The basis for our employee oriented approach is fairness, which we try to observe by providing adequate compensation, additional bonuses and by respecting diversity, which is necessarily characteristic to any broader circle of people.

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

Healthy environment for 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 realize 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 catalogs, possessed by JSC Georgian Card, is available on official website of the Office of the Personal Data Protection.

Non-financial Report (continued)

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 Company'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.

Combatting corruption

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

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

Persons responsible for the preparation and submission of reports

The person authorized to manage the Company, namely the Chief Executive Officer, is responsible for the submission of the management reports.