JSC Georgian Card

Consolidated and separate IFRS financial statements

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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the 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 2019, 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 2019, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 Matters

Transactions with Related Parties: We draw attention to Note 21 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.

Events After the Reporting Period: We draw attention to note 22 to the financial statements, which describes the events after the reporting period and before approval of the financial statements. Our opinion is not modified in respect of this matter.

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

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 materially incompliant with the requirements of the respective regulatory normative acts, or otherwise appears to be materially misstated based on our knowledge obtained in the audit. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

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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 / 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 ISA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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.

For and on behalf of Nexia TA LLC

Tbilisi, Georgia

30 June, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

(Thousands of Georgian Lari)

	Notes	31-Dec-19	31-Dec-18
Assets			
Non-current assets			
Property and equipment	5	14,942	14,889
Intangible assets	6	7,837	5,850
Prepayments for property, equipment and intangible assets	8	352	297
Right of use assets	14	607	-
Total non-current assets		**23,738**	**21,036**
Current assets			
Inventories	7	4,336	3,404
Prepayments and other current assets	8	1,254	817
Accounts receivable	9	1,335	1,175
Amounts due from credit institutions	10	-	535
Cash and cash equivalents	11	28,778	27,275
Total current assets		**35,703**	**33,206**
Total assets		**59,441**	**54,242**
Equity			
Share capital	12	11,724	11,724
Share premium	12	8,528	8,528
Retained earnings		11,254	7,755
Total equity		**31,506**	**28,007**
Non-current liabilities			
Borrowings	15	349	-
Lease liabilities	14	287	-
Total non-current liabilities		**636**	**-**
Current liabilities			
Accounts payable	13	26,595	26,032
Borrowings	15	172	-
Lease liabilities	14	310	-
Advances received		55	170
Dividends payable		33	33
Operating taxes payable		134	-
Total current liabilities		**27,299**	**26,235**
Total liabilities		**27,935**	**26,235**
Total equity and liabilities		**59,441**	**54,242**

The financial statements on pages 5 to 32 were approved by the management of JSC Georgian card on 30 June 2019 and signed on its behalf by:

David Bezhiashvili — Chief Executive Officer

30 June 2020

The accompanying notes on pages 13 to 32 form an integral part of these financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Thousands of Georgian Lari)

	Notes	31-Dec-19	31-Dec-18
Assets			
Non-current assets			
Property and equipment	5	5,173	4,868
Intangible assets	6	7,529	5,491
Investment in subsidiary	1	16,752	16,752
Prepayments for property, equipment and intangible assets	8	352	297
Right of use assets	14	344	-
Total non-current assets		**30,150**	**27,408**
Current assets			
Inventories		299	256
Prepayments and other current assets	8	739	581
Accounts receivable		492	248
Cash and cash equivalents	11	2,764	1,463
Total current assets		**4,294**	**2,548**
Total assets		**34,444**	**29,956**
Equity			
Share capital	12	11,724	11,724
Share premium	12	8,528	8,528
Retained earnings		13,049	8,802
Total equity		**33,301**	**29,054**
Non-current liabilities			
Lease liabilities	14	162	-
Total non-current liabilities		**162**	**-**
Current Liabilities			
Accounts payable	13	717	699
Lease liabilities	14	174	-
Advances received		57	170
Dividends payable		33	33
Total current liabilities		**981**	**902**
Total liabilities		**1,143**	**902**
Total equity and liabilities		**34,444**	**29,956**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

(Thousands of Georgian Lari unless otherwise stated)

	Notes	2019	2018
Revenue from transaction processing		20,075	16,306
Revenue from personalisation services		604	483
Revenue from maintenance services		1,525	1,246
Total revenues	16	**22,204**	**18,035**
Other operating income	17	532	888
Salaries and other employee benefits	18	(7,561)	(7,107)
Rent	14	-	(1,059)
Depreciation and amortisation	5, 6	(4,912)	(3,671)
Other operating expenses	17	(6,723)	(5,322)
Operating profit		**3,540**	**1,764**
Interest income	10	8	23
Interest expense	14, 15	(71)	-
Foreign exchange gain/(loss)		22	(39)
Profit before income tax expense		**3,499**	**1,748**
Income tax expense	19	-	-
Profit and total comprehensive income for the year		**3,499**	**1,748**
Basic and diluted earnings per share in GEL (not rounded)	12	**0.30**	**0.15**

The accompanying notes on pages 13 to 32 form an integral part of these financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
Ffor the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	*2019*	*2018*
Revenue from transaction processing		10,603	6,798
Revenue from personalisation services		604	483
Revenue from maintenance services		643	506
Total revenues	16	**11,850**	**7,787**
Other operating income	17	642	575
Salaries and other employee benefits	18	(2,800)	(2,400)
Rent	14	-	(145)
Depreciation and amortisation	5, 6	(2,662)	(1,908)
Other operating expenses	17	(2,772)	(2,003)
Operating profit		**4,258**	**1,906**
Interest income		8	-
Interest expense	14	(13)	-
Foreign exchange loss		(6)	(11)
Profit before income tax expense		**4,247**	**1,895**
Income tax expense	19	-	-
Profit and total comprehensive income for the year		**4,247**	**1,895**

The accompanying notes on pages 13 to 32 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Share capital (Note 12)	*Share premium (Note 12)*	*Retained earnings*	*Total*
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**
Total comprehensive income for the year	-	-	3,499	3,499
31 December 2019	**11,724**	**8,528**	**11,254**	**31,506**

The accompanying notes on pages 13 to 32 form an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Share capital (Note 12)	***Share premium (Note 12)***	***Retained earnings***	***Total***
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**
Total comprehensive income for the year	-	-	4,247	4,247
31 December 2019	**11,724**	**8,528**	**13,049**	**33,301**

The accompanying notes on pages 13 to 32 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	*2019*	*2018*
Cash flows from operating activities			
Profit before tax		**3,499**	**1,748**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	5, 6	4,912	3,671
Gain on sale of property and equipment		(48)	(337)
Finance cost		58	-
Allowance expenses		23	25
Working capital adjustments:			
Change in inventories		(932)	(1,779)
Change in prepayments and other current assets		(437)	(65)
Change in accounts receivable		(227)	(168)
Change in accounts payable and advances received		642	(9,671)
Net cash flows from operating activities before income tax		**7,490**	**(6,576)**
Interest paid	15	(66)	-
Net cash generated from / (used in) operating activities		**7,924**	**(6,576)**
Cash flows from investing activities			
Purchase of property	5	(3,069)	(3,267)
Purchase of intangible assets	6	(3,612)	(2,102)
Proceeds from sale of property and equipment		86	921
Repayment of amounts due from banks		535	483
Net cash used in investing activities		**(6,060)**	**(3,965)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(377)	-
Proceeds from borrowings	15	600	-
Repayment of borrowings	15	(84)	-
Net cash inflows from financing activities		**139**	**-**
Net increase/(decrease) in cash and cash equivalents		**1,503**	**(10,541)**
Cash and cash equivalents, beginning of the year	11	**27,275**	**37,816**
Cash and cash equivalents, end of the year	11	**28,778**	**27,275**
Non-cash financing and investing activities			
Acquisition of property and equipment and intangible assets on deferred payment terms		266	282

The accompanying notes on pages 13 to 32 form an integral part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

(Thousands of Georgian Lari)

	Notes	2019	2018
Cash flows from operating activities			
Profit before tax		**4,247**	**1,895**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	5, 6	2,662	1,908
Gain on sale of property and equipment		-	(10)
Allowance expenses		6	2
Working capital adjustments:			
Change in inventories		(43)	8
Change in prepayments and other current assets		(157)	(59)
Change in accounts receivable		(250)	(47)
Change in accounts payable and advances received		(80)	(25)
Net cash flows from operating activities before interest and tax		**6,385**	**3,672**
Interest paid		(13)	-
Net cash generated from operating activities		**6,372**	**3,672**
Cash flows from investing activities			
Purchase of property and equipment	5	(1,402)	(1,841)
Intangible assets	6	(3,543)	(2,101)
Proceeds from sale of property and equipment		1	18
Net cash used in investing activities		**(4,944)**	**(3,924)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(127)	-
Net cash used in financing activities		**(127)**	**-**
Net increase / (decrease) in cash and cash equivalents		**1,301**	**(252)**
Cash and cash equivalents, beginning of the year	**9**	**1,463**	**1,715**
Cash and cash equivalents, end of the year	**9**	**2,764**	**1,463**
Non-cash financing and investing activities			
Acquisition of property and equipment and intangible assets on deferred payment terms		266	282

The accompanying notes on pages 13 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

(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 2019 and 2018 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 2019, the Company's shareholders were as follows:

	2019	**2018**
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 2019, the Company's ultimate controlling party is Bank of Georgia 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 in Note 3. 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 unless stated otherwise.

These financial statements have been presented in thousands of Georgian Lari (GEL), unless otherwise stated.

Going Concern

Management has prepared these consolidated and separate financial statements on a going concern basis. In making this judgment management considered the Company's and Group's financial position, current intentions, the profitability of operations and access to local and international financial resources, as necessary.

Economic envirement has faced challenges as a result of spread of the COVID 19 around the world and in Georgia. The Company and the group has assessed the future perspectives as a result of the events taking place after the reporting date (note 22) and, as a result, the Company's and group's management believes that there is no doubt about the Company's and the Gorup's ability to continue as a going concern for at least the following 12 months after reporting period.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (together – "the Group") as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

(Thousands of Georgian Lari unless otherwise stated)

2. Basis of preparation (continued)

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.

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

(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.

Right of use (ROU) assets

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets key evaluations which are whether:

a) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

b) the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets can be included in property, plant and equipment or presented separately and lease liabilities can be included in trade and other payables or presented as a separate liability.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

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 2019.

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the 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.

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.

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(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

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.

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.

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3. Summary of significant accounting policies (continued)

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 19). Corporate income tax is paid on dividends is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution.

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

Provisions and contingencies

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

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

Share capital

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

Dividends

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

Revenue recognition

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

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

The 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.

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3. Summary of significant accounting policies (continued)

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

Revenue from personalisation services

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

Revenue from maintenance services

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

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 and company'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 were as follows:

	December 31, 2019	**December 31, 2018**
1 USD/GEL	2.8677	2.6766
1 EUR/GEL	3.2095	3.0701

Average rate for the year	**2019**	**2018**
1 USD/GEL	2.8192	2.5345
1 EUR/GEL	3.1553	2.9913

Application of new and amended standards

The Group and Company has adopted all of the new or amended Accounting Standards and Interpretations issued by IASB that are mandatory for the current reporting period. This is the first set of the Group's and Company's annual financial statements in which IFRS 16 "Leases" have been applied.

Right-of-use asset (IFRS 16)	638
Lease liability (IFRS 16)	638
Reduction in opening retained profits as at 1 January 2019	**-**

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

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

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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 2019 was GEL 72 thousand (2018: GEL 51 thousand).

. Further details on allowance for impairment of receivables are disclosed in Note 9.

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For the year ended 31 December 2019

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5. Property and equipment (Group)

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

	Self service terminals and spare parts	*Land and buldings*	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Leashold improvements*	*Other Equipment*	*Total*
Cost								
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)	-	(3)	(14)	(63)	-	(17)	(872)
Write off	-	-	(30)	(577)	(39)	-	(3)	(649)
31 December 2018	**17,721**	**946**	**554**	**4,841**	**239**	**231**	**7**	**24,539**
Additions	724	14	136	1,305	595	1	322	3,097
Disposals	(39)	-	(21)	(1)	(51)	-	(6)	(118)
Transfers	-	-	-	-	-	153	(153)	-
Write off	-	-	(38)	(101)	(16)	-	8	(147)
31 December 2019	**18,406**	**960**	**631**	**6,044**	**767**	**385**	**178**	**27,371**
Accumulated depreciation and impairment								
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)	-	(2)	(3)	(61)	-	(13)	(283)
Write off	-	-	(30)	(578)	(39)	-	(3)	(650)
31 December 2018	**6,918**	**33**	**290**	**2,212**	**86**	**110**	**1**	**9,650**
Depreciation charge	1,807	10	59	943	105	68	13	3,005
Disposals	(24)	-	(13)	-	(37)	-	(5)	(79)
Write off	-	-	(38)	(101)	(16)	-	8	(147)
31 December 2019	**8,701**	**44**	**298**	**3,052**	**139**	**178**	**17**	**12,429**
Net book value:								
31 December 2018	**10,803**	**912**	**264**	**2,631**	**152**	**121**	**6**	**14,889**
31 December 2019	**9,705**	**916**	**333**	**2,992**	**628**	**207**	**161**	**14,942**

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For the year ended 31 December 2019

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5. Property and equipment (Company)

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

	Self service terminals and spare parts	*Land and buldings*	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Other Equipment*	*Total*
Cost							
31 December 2017	**1,831**	**933**	**410**	**3,427**	**68**	**-**	**6,669**
Additions	51	13	100	1,598	12	-	1,774
Disposals	-	-	(3)	(14)	(37)	-	(54)
Write off	-	-	(28)	(556)	(1)	-	(585)
31 December 2018	**1,882**	**946**	**479**	**4,455**	**42**	**-**	**7,804**
Additions	-	14	110	1,128	9	169	1,430
Disposals	-	-	-	-	(11)	-	(11)
Transfers	-	-	-	-	-	-	-
Write off	-	-	(36)	(88)	-	-	(124)
31 December 2019	**1,882**	**960**	**553**	**5,495**	**40**	**169**	**9,099**
Accumulated depreciation and impairment							
31 December 2017	**398**	**24**	**254**	**1,869**	**48**	**-**	**2,593**
Depreciation charge	184	10	41	727	8	-	970
Disposals	-	-	(2)	(4)	(36)	-	(42)
Write off	-	-	(28)	(556)	(1)	-	(585)
31 December 2018	**582**	**34**	**265**	**2,036**	**19**	**-**	**2,936**
Depreciation charge	191	10	50	855	8	10	1,124
Disposals	-	-	-	-	(10)	-	(10)
Write off	-	-	(36)	(88)	-	-	(124)
31 December 2019	**773**	**44**	**279**	**2,803**	**17**	**10**	**3,926**
Net book value:							
31 December 2018	**1,300**	**912**	**214**	**2,419**	**23**	**-**	**4,868**
31 December 2019	**1,109**	**916**	**274**	**2,692**	**23**	**159**	**5,173**

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6. Intangible assets

	Separate	Consolidated
Cost		
31 December 2017	**5,844**	**6,591**
Additions	2,375	2,376
Disposals	(294)	(294)
31 December 2018	**7,925**	**8,673**
Additions	3,444	3,512
Disposals	(340)	(340)
31 December 2019	**11,029**	**11,845**
Accumulated amortisation and impairment		
31 December 2017	**1,790**	**2,061**
Amortisation charge	938	1,056
Disposals	(294)	(294)
31 December 2018	**2,434**	**2,823**
Amortisation charge	1,406	1,525
Disposals	(340)	(340)
31 December 2019	3,500	4,008
Net book value:		
31 December 2018	**5,491**	**5,850**
31 December 2019	**7,529**	**7,837**

7. Inventories

	31-Dec-19	*31-Dec-18*
Spare parts	3,983	2,786
Others	353	618
Total inventory	**4,336**	**3,404**

8. Prepayments and other current assets

The Group's prepayments and other current assets comprised:

	31-Dec-19	*31-Dec-18*
Operating taxes receivable	652	610
Prepayments for services	226	80
Prepayments for inventories	159	10
Prepayments to related parties (Note 21)	28	5
Others	189	112
Total prepayments and other current assets	**1,254**	**817**

The Company's prepayments and other current assets comprised:

	31-Dec-19	*31-Dec-18*
Operating taxes receivable	554	541
prepayments for services	169	33
Others	16	7
Total prepayments and other current assets	**739**	**581**

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

Prepayments for property, equipment and intangible assets as at 31 December 2019 amounted to 352 thousand (2018: 297 thousand) for both the Group and the Company as well.

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9. Accounts receivable

	31-Dec-19	*31-Dec-18*
Receivables from related parties (Note 21)	1,072	923
Other receivables	335	303
	1,407	**1,226**
Less – Allowance for impairment	(72)	(51)
Total accounts receivable, net	**1,335**	**1,175**

As at 31 December 2019 and 31 December 2018, the carrying amounts disclosed above reasonably approximate their fair values. Payment terms are in range between 5 to 30 calendar days.

As at 31 December 2019, 31 December 2018, Group's accounts receivable with an initial carrying value of GEL 72 thousand and GEL 51 thousand, respectively, were impaired and fully provided for, which is included in other operating expenses line in consolidated statement of comprehensive income.

10. Amounts due from credit institutions

As at 31 December 2019, amounts due from credit institutions were represented by short-term placements with banks other than cash, with original maturity no longer than 12 months. In 2019 and 2018, the Group earned interest income of GEL 8 thousand and GEL 23 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-19	*31-Dec-18*
Settlement-related cash in transit	24,466	24,048
Settlement-related cash at a related party bank account (Note 21)	17	-
Cash at a related party bank account (Note 21)	2,853	2,037
Short-term deposits with related party bank account (Note 21)	308	-
Cash on a third party bank account	1	197
Cash on hand	1133	993
	28,778	**27,275**

The Company's cash and cash equivalents comprised:

	31-Dec-19	*31-Dec-18*
Cash at a related party bank (Note 21)	2,456	1,462
Short-term deposit with related party bank account (Note 21)	308	-
Cash on hand	-	1
	2,764	**1,463**

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 21.

Cash on bank accounts earns interest at floating rates based on daily bank deposit rates. The Group/Company 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 2019 and 31 December 2018, issued and paid up share capital of the Company/Group comprised 11,723,990 ordinary shares with a par value of one Georgian Lari (not rounded).

As at 31 December 2019 and 31 December 2018, the Company's/Group'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.

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12. Equity (continued)

Earnings per share

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

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

	2019	*2018*
Net profit attributable to ordinary equity holders in thousands of GEL	3,499	1,748
Weighted average number of ordinary shares	11,723,990	11,723,990
Basic and diluted earnings per share in GEL (not rounded)	**0.30**	**0.15**

13. Accounts payable

The Group's accounts payable comprised:

	31-Dec-19	*31-Dec-18*
Accruals for employee compensation	551	561
Payables to related parties (Note 21)	25,631	25,017
Payables for property and equipment and intangible assets	266	282
Operating taxes payable	-	35
Other payables	147	137
Total accounts payable	**26,595**	**26,032**
Among which:		
Current	**26,595**	**26,032**

The Company's accounts payable comprised:

	31-Dec-19	*31-Dec-18*
Accruals for employee compensation	353	368
Payables to related parties (Note 21)	46	2
Payables for property and equipment and intangible assets	266	282
Other payables	52	67
Total accounts payable	**717**	**699**
Among which:		
Current	**717**	**699**

As at 31 December 2019 and 31 December 2018, the carrying amounts disclosed above reasonably approximate their fair values.

14. Leases

Since the Company/Group adopted IFRS 16 during 2019, rent expenses are no longer present in the Statement of Comprehensive Income as such. The results of recognition of leases are presented below.

Company/Group as a lessee

The Company/Group has lease contracts for various items of buidings used in its operatios. Leases of building have lease terms between 1-5 years.

The Company/Group also has certain leases of buildings with lease terms of 12 month or less and leases of building with low value. The Company applies the "short-term lease" and "lease of low-value assets" recognition exemption for these leases.

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14. Leases (continued)

Set aut below are the Groups (consolidated) and the Company's (separate) carrying amounts of right-of-use assets recognised and movements during the year of 2019:

Right of Use Asset	**Separate**	**Consolidated**
Cost:		
As at 1 January 2019 - effect of adoption of IFRS 16	**195**	**640**
Additions	353	601
Disposals	(172)	(512)
As at 31 December 2019	**376**	**729**
Accumulated depreciation and impairment	-	
As at 1 January 2019	-	-
Depreciation charge	132	382
Disposals	(100)	(260)
As at 31 December 2019	**32**	**122**
Net book value:	-	
1 January 2019	**195**	**640**
31 December 2019	**344**	**607**

Lease liabilities are presented in the Group's consolidated statement of financial position and the Company's separate statement of financial position. Set aut below are the the Groups (consolidated) and the Company's (separate) carrying amounts of lease liabilities recognised and movovments during the year of 2019:

	Separite	**Consolidated**
As at 1 January 2019 - effect of adoption of IFRS 16	**195**	**638**
Additions	353	587
Disposals	(89)	(256)
Accrued of interest	13	39
Foreign exchange adjustments	4	4
Payments	(140)	(415)
As at 31 December 2019	**336**	**597**

The following are the amounts recognised in profit or loss during 2019:

	Separite	**Consolidated**
Depreciation expense of right-of-use assets	132	382
Interest expenses of lease liabilities	13	39
Expenses relating to short-term leases	9	11
Expenses relating to leases of low-value assets	-	308
Total amount recognised in profit / loss	**154**	**740**

15. Borrowing

Borrowing are presented in the consolidated statement of financial position as follows:

	Original amount	**Interest rate**	***31-Dec-19***	***31-Dec-18***
JSC Didi Digomi Research Center	600	11%		
Outstanding balance:				
Principal			516	-
Interest payable			5	-

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Total borrowings	**521**	**-**
Amont which:		
Current	**172**	**-**
Non-current	**349**	**-**

Movement in Borrowings during the year is as follows:

	2019	*2018*
Balance at 1 January	**-**	**-**
Increase in borrowings	600	-
Interest expense for the year	32	-
Repayment of principal	(84)	-
Interest paid	(27)	-
Balance at 31 December	**521**	**-**

16. 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-19	*31-Dec-18*
Accounts receivable	1,335	1,175
Advances received	(56)	(170)

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

	31-Dec-19	*31-Dec-18*
Accounts receivable	492	248
Advances received	(56)	(170)

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.

17. Other operating income and expense

The Group's other operating income comprised:

	2019	*2018*
Revenue from Software development	162	206
Net gain from sale of refurbishement services and equipment	24	437
Other operating income	346	245
Total other operating income	**532**	**888**

The Group's other operating expenses comprised:

	2019	*2018*
Repair and maintenance	1,407	1,346
Cost of inventory used	1,320	1,355
Communication networking	975	657
Lease-like services with undefined space or no contract	596	-
Operating taxes	461	374
Electricity, water, gas and other utilities	346	219

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Cash collection	340	360
Stolen and damaged banknotes	173	170
Commission fees	168	199
Small value item and Short term leases	48	-
Audit fees	23	60
Other operating expenses	866	582
Total other operating expense	**6,723**	**5,322**

The Company's other operating income comprised:

	2019	*2018*
Rent income	272	272
Revenue from software development	162	206
Net gain from sale of refurbishement services and equipment	-	9
Other operating income	208	88
Total other operating income	**642**	**575**

The Company's other operating expenses comprised:

	2019	*2018*
Communication networking	821	562
Repair and maintenance	760	567
Operating taxes	329	252
Cost of inventory used	110	105
Audit Fees	12	26
Other operating expenses	740	491
Total other operating expenses	**2,772**	**2,003**

18. Salaries and other employee benefits

The Group's salaries and other employee benefits comprised:

	2019	*2018*
Salaries and other benefits	7,034	6,549
Cash bonuses	527	558
Total salaries and other employee benefits	**7,561**	**7,107**

18. Salaries and other employee benefits (continued)

The Company's salaries and other employee benefits comprised:

	2019	*2018*
Salaries and other benefits	2,447	2,035
Cash bonuses	353	365
Total salaries and other employee benefits	**2,800**	**2,400**

19. 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 2023. Under the new regulation, corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia, rather than on profit earned. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of net distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax.

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19.Taxsation (Continued)

Following the enactment of the amendments, as at 31 December 2016, the Group reversed in full its deferred tax liability based on IAS 12 Income Taxes requirement to measure deferred taxes at 0% tax rate applicable for undistributed profits starting from 1 January 2017. In 2019 and 2018, the Group and the Company had no distributed profits (dividends). Management believes the Group and the Company are 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.

20. Risk arising from financial instruments

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

Credit risk

Credit risk is the risk that the Group/Company will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. As at 31 December 2019 and 31 December 2018, the Group/Company has no other significant financial assets subject to credit risk except for:

- *Cash at banks and amounts due from banks*

  As at 31 December 2019, 31 December 2018, the Group placed GEL 28,778 thousand and GEL 27,275 thousand (the Company placed GEL 2,764 thousand and GEL 1,463 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 2019 and 31 December 2018.

Liquidity risk

It is the risk that the Company and the Group's will encounter difficulties in meeting its current financial obligations as they fall due that may affect adversely the Company's on-going operations and performance. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

An analysis of the liquidity risks as at 31 December 2019 is presented in the following table:

2019	**Within one year**	**More than one year**	**Total**
Financial assets:			
Cash and cash equivalents	28,778	-	**28,778**
Accounts receivable	1,335	-	**1,335**
	30,113	**-**	**30,113**
Financial liabilities:	**-**	**-**	**-**
Borrowings	172	349	**521**
Accounts payable	26,595	-	**26,595**
	26,767	**349**	**27,116**
Net position	3,346	(349)	
Accumulated gap	**3,346**	**(349)**	**2,997**

An analysis of the liquidity risks as at 31 December 2018 is presented in the following table:

2018	**Within one year**	**More than one year**	**Total**
Financial assets:			
Cash and cash equivalents	27,275	-	**27,275**
Accounts receivable	1,175	-	**1,175**
	28,450	**-**	**28,450**
Financial liabilities:			
Accounts payable	26,032	-	**26,032**
	26,032	**-**	**26,032**
Net position	2,417	-	
Accumulated gap	**2,418**		**2,418**

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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/Company has no significant exposure to currency risk.

21. Related party transactions

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

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

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

	31-Dec-2019		*31-Dec-2018*	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Assets				
Cash and cash equivalents	–	3,178	–	2,037
Amounts due from credit institutions				535
Accounts receivable	–	1,072	–	923
Prepayments and other current assets	–	28	–	5
	–	**4,277**	**–**	**3,500**
Liabilities				
Accounts payable	–	25,631		25,017
borrowing	–	521	–	–
Advances received	–	-	–	121
Lease Liabilities	430	-	–	–
	430	**26,152**		**25,138**

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

	31-Dec-2019		*31-Dec-2018*	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Assets				
Cash and cash equivalents	–	2,764	–	1,462
Accounts receivable	–	388	–	194
	–	**3,152**	**–**	**1,656**
Liabilities				
Accounts payable	–	46	–	2
Advances received	–	31-	–	121
Lease Liability	301	-	–	–
	301	**77**	**–**	**123**

* *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.

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

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21. Related party transactions (continued)

	2019		*2018*	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Sales				
Revenue from transaction processing services	–	18,753	–	15,249
Revenue from maintenance services	–	1,435	–	1,194
Revenue from personalisation services	–	479	–	422
	–	**20,667**	**–**	**16,865**
Other operating income				
Income from sale of property and equipment (a)	–	57	–	902
Income from sale of inventory (b)	–	–	–	59
Revenue from software development services	–	–	–	116
Other operating income		129	–	25
		186	**–**	**1,102**
Purchases and expenses				
Rent	–	–	133	14
Other operating expenses	116	657	–	940
	116	**657**	**133**	**954**
Other items				
Interest income	–	8	–	23
Interest expense	22	32	–	–
	22	**40**	**–**	**23**

* *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:

	2019		*2018*	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Sales				
Revenue from transaction processing services	–	10,269	–	6,660
Revenue from maintenance services	–	550	–	454
Revenue from personalisation services	–	479	–	422
	–	**11,298**	**–**	**7,536**
Other operating income				
Revenue from software development services	–	-	–	116
Rent		272		-
Other operating income	–	137	–	24
	–	**409**	**–**	**140**
Purchases and expenses				
Rent	–	–	125	–
Other operating expenses	167	26	–	26
Interest income	-	8	–	-
Interets expnse	11	-	–	-
	178	**34**	**125**	**26**

In 2019 and 2018, compensation of the Group's key management personnel totalled GEL 123 thousand and GEL 206 thousand respectively.

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21. Related party transactions (continued)

In 2019 and 2018, compensation of the Company's key management personnel totalled GEL 39 thousand and GEL118 thousand, respectively.

22. Events after the reporting date

These financial statements were approved for issuance by the Company's/Group's management on June 30, 2020.

The following non-adjusting events took place after the reporting period:

During 2020, new coronavirus so-called COVID-19 has spread across the world, which was officialy categorized as a pandemic by the World Health Organization (WHO) on March 11, 2020. Due to this circumstance, one-month the state of emergency was declared in Georgia on March 21, 2020. As a result of the situation, the Company and the Group have faced certain challenges. It is too early to make a precise prediction of how the crisis will affect its performance. It is also uncertain how long it will take to get out of the crisis; such a global integrated crisis is the first in the history of Georgian business and no corporate experience exists. However, the management believes that the crisis will not have a significant effect on the Group's/Company's operations in the foreseeable future.

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

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

Non-financial Report (continued)

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.

David Bezhiashvili