



LLC Direct Debit Georgia

The Company's Management Report

2018

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Introduction

This document incorporates the essential components related to LLC Direct Debit Georgia (“the Company”) such as the review of the activities, achievements based on factual indicators, development outlooks, vision and future plans. It also describes the established standards of corporate ethics and the business risks that might impact the Company's performance.

Director's Statement

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

Our resources are focused on the establishment of innovations, cost efficiency and safety. I am proud that the Company's mission statement, vision and policies are based on high values, best practices and corporate social responsibility.

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

Business Overview

About Us

The Company is incorporated on 7 March 2006 with legal address at 106 Beliashvili Street, Tbilisi, Georgia under Georgian legislation. The company offers payment services via cash desks or self-service terminals as well as maintenance services of self service terminals.

The Company is fully owned by JSC Georgian Card (“the Parent”) and the ultimate controlling party was BGEO Group, which in June 2018, as a result of demerger, was replaced by the Bank of Georgia Group PLC, a UK based entity listed on London Stock Exchange.

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

Business Overview (continued)

What We Do

Multifunctional self-service terminals

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

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

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

This is just an incomplete list multifunctional services are updated frequently.

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

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

Specialised self-service terminals

Since 2017 the Company has implemented a new project, which includes the specialised self-service terminals intended for the entities with high daily cash turnover in. By depositing cash into the specialised self-service terminals at the end of the day, companies are enabled to avoid a long procedure of cash collection and depositing it to the accounts, while saving human resources and, most importantly, instantly reflecting the daily turnover on their bank statements.

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

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

Cashier-Operators

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

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

In 2011, the cash-desks of the Company were placed at various medical institutions throughout the regions.

Business Overview (continued)

What We Do (continued)

Cashier-Operators (continued)

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

Since 2011 the Company has been providing the payment services through its cashiers to the customers at KazTransGas Tbilisi LLC offices.

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

Short Financial Overview

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

Statement of Financial Position	<u>2018</u>	<u>2017</u>
Total assets	<u>41,066</u>	<u>50,851</u>
Total equity	<u>15,703</u>	<u>15,852</u>
Total liabilities	<u>25,363</u>	<u>34,999</u>
Total equity and liabilities	<u>41,066</u>	<u>50,851</u>

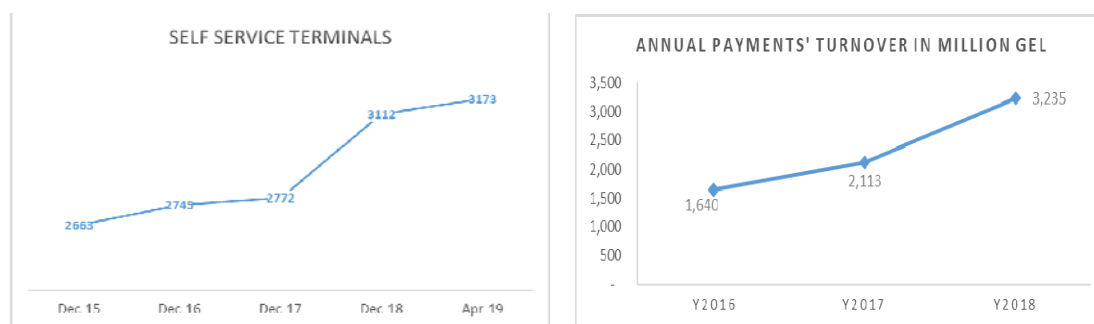
Statement of Comprehensive Income	<u>2018</u>	<u>2017</u>
Total revenues	10,845	9,604
Total operating expenses	(10,985)	(9,465)
Operating profit/(loss)	(140)	139
Other financial items	(9)	93
Profit/(loss) before income tax expenses	(149)	232
Income tax benefit	-	-
Profit/(loss) and total comprehensive income/(loss) for the year	<u>(149)</u>	<u>232</u>

Business Overview (continued)

Future Plans

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

Over the past five years, the number of payment channels increased by about 19%. Moreover, the annual payments' turnover has doubled in last three years. Our goal is to maintain the current indicators in terms of business development, along with the increase in quality and efficiency.



Risk Factors

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

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 Company is analyzed and managed by the management. As of 31 December 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 Company has been always fulfilling its contractual obligations and has never experienced a default. The Company will fulfill the contractual obligations in the future.

Property crimes

The company self-service terminals are located on many locations and thousands of transactions are carried out via terminals during a day. By the end of the day, the terminals, in which no amount was collected, are under threat. In recent years, the Company has suffered a financial loss as a result of robbing such terminals, but by strengthening of the internal control and the structural unit of security services, similar incidents were minimized.

In most cases, the increase in the crime rate affects the safety potential of the company's property. However, the operating divisions of the Company are taking effective preventive measures in this regard, and in cases where the crime cannot be avoided, the company is trying to facilitate the successful completion of the investigation through cooperation with law enforcement agencies.

Business Overview (continued)

Property crimes (continued)



Fraud prevention

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

Information security

In the 21st century, increased cyber-attacks and “fishing” attempts possess significant threat to every business. The financial sector is the priority target for the criminals, and consequently, the company does not forget the attempts of anticipated attack and establishes the highest standards of information security throughout the Company. The security mechanisms include the latest and well-known products that are designed to protect internal network from external impacts, as well as leak of sensitive information within the network. For the monitoring of existing devices, the Company applies relevant software to control every event that is happening in the Company’s devices and consumers’ PCs. In addition, thereto, the Company often conducts awareness-raising trainings to provide information security, and all employees are provided with strictly defined instructions on how to behave in any suspicious situation.

It should be noted that despite the recent large-scale cyber-attacks, the Company has never been affected by any harmful virus that would have resulted in data damaging or leakage of the company's confidential information.

Anti-money laundering practice

The Company is trying to comply with international ethics standards and exclude any money laundering and terrorism funding.

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

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

Corporate Management Report

The structure of the Company is tailored to simplification and efficiency of business activities. The Structure is led by the Director Irakli Kodua.

Director's Curriculum Vitae

Irakli Kodua was appointed to the position of Director at the Company in 2016, however his activities in JSC Express Technologies Group began in 2006. He also took up the position of the General Director of JSC Express Technologies and of JSC Georgian Card since 2016.

He worked as the Deputy Director of JSC Georgian Card in 2011-2016 and the Deputy Director of Direct Debit Georgia LTD in 2014-2016. He has many years of experience in the sphere of finance.

Irakli Kodua holds a degree in Computer Technology Engineering and in Law.

Specifics of the Structure

The structure of the Company consists of subdivisions interconnected with horizontal and vertical line, all of which are accountable to the Director and / or the supervising structural unit. These divisions are responsible for the company's operational activities.

The procedural documentation, which is further divided by the description of the procedures characteristic to the functions and obligations assigned to each position, is developed for each service separately. In the process of developing and updating our structure, great importance is attached to an accurate separation of the rights and obligations and clear defining of procedural instructions, fully covering the work to be performed, so as to effectively utilize human or material resources.

An example of structural division



The Company policies

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

Conflict of interest management policy

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

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

Corporate Management Report (continued)

Conflict of interest management policy (continued)

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

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

Personal Data Protection Policy

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

Information Classification and Management Policy

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

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

Notification Management Policy

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

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

100% shares of the company is owned by JSC Georgian Card, which in turn is owned by JSC Express Technologies. The partners' rights and obligations are regulated by the Company's charter, which is a public document.

The highest governance body of the Company is the partners' meeting. The partner is authorized to manage the company directly as well as through its representative.

The regular partners' meeting is held once a year, within two months after the end of the economic year. Additional details on the governance authority are given in the Company's charter.

Non-financial Report

Our team

Average number of employees of the Company for the year 2018 is about 370 people. From a lot of candidates, the Company chooses the most motivated and committed individuals. Human resource plays an important role in successfully conducting of the Company's activities; therefore, we are trying to create optimal conditions for effective performance and career development. The basic pillar of the employee-oriented approach is the fairness that the company tries to identify with adequate remuneration, additional bonuses and respect for diversification, which is characteristic for any broad circle of people.

The Company acknowledges and accepts its share of responsibility to the employers, but in return requires from them diligent and reasonable attitude towards the work, which is clearly defined in the internal regulation and the Code of Ethics of the Company.

Healthy work environment

The legislation establishes the minimum safety standards; The Company tries to adopt internationally recognized best practices and create a safe and healthy environment for employees.

The Company has a fire protection infrastructure. Employees receive training on how to avoid accidents and how to respond quickly to natural disasters and unforeseen cases.

The business continuity management policy is established and a group of key staff is allocated, who is responsible for managing crisis situations.

Prevent corruption

Corruption and bribery is forbidden in the Company, regardless of its size and expression. The company strictly evaluates any action or transaction that can be perceived as an unlawful influence on the Company's decisions. For the regulation of this sphere, the Company applies a very extensive policy "On Conflict of Interest Management", and specifically designated structural unit exercises to control to make sure that any employee and any actions carried out by the Company or in the Company are in compliance with this Policy.

Persons responsible for the preparation and submission of reports

A person, who is authorized to manage the company – i.e. the Director, is responsible for submitting the Financial Statements and management report.