Direct Debit Georgia LLC

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 Owner and the Management of Direct Debit Georgia LLC

Opinion

We have audited the financial statements of Direct Debit Georgia LLC (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and 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 as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the "IESBA Code".

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

Emphasis of Matter

We draw attention to Note 19 to the financial statements, which describes a significant concentration of the Company's transactions with related parties. Our opinion is not modified in respect of this matter.

Other Information included in the Company's Management Report

Management is responsible for the other information. Other information comprises the information included in the Management Report 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 Management Report, 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's 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 or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 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 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.

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

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

On behalf of Nexia TA LLC

May 29, 2020

INDEPENDENT AUDITOR'S REPORT

To the Owner and the Management of Direct Debit Georgia LLC:

Opinion

We have audited the accompanying financial statements of Direct Debit Georgia LLC (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and 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 as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the "IESBA Code".

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

Emphasis of Matter

We draw attention to Note 19 to the financial statements, which describes a significant concentration of the Company's transactions with related parties. Our opinion is not modified in respect of this matter.

Other Information included in the Company's Management Report

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

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

In our opinion, based on the work performed in the course of our audit, the information given in the Management Report, 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's 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 or to cease operations, or has no realistic alternative but to do so.

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

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Nexia TA

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

On behalf of Nexia TA LLC

May 29, 2020

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

(Thousands of Georgian Lari)

	Notes	*2019*	*2018*
Assets			
Non-current assets			
Property and equipment	4	9,768	10,021
Intangible assets	5	309	359
Right-of-use assets	12	263	–
		10,340	**10,380**
Current assets			
Inventories	6	4,037	3,148
Prepayments and other current assets		516	236
Accounts receivable	7	915	955
Amounts due from credit institutions	8	–	535
Cash and cash equivalents	9	26,014	25,812
		31,482	**30,686**
Total assets		**41,822**	**41,066**
Equity			
Charter capital	10	15,244	15,244
Retained earnings/(loss)		(287)	459
Total equity		**14,957**	**15,703**
Labilities			
Non-current liabilities			
Borrowings		349	–
Lease liabilities		125	–
		474	
Current liabilities			
Accounts payable	11	25,950	25,326
Borrowings		172	–
Lease liabilities		136	–
Operating taxes payable		133	37
		26,391	**25,363**
Total liabilities		**26,865**	**25,363**
Total equity and liabilities		**41,822**	**41,066**

The financial statements on pages 4 to 21 were approved by the management of Direct Debit Georgia LLC on 29 May 2020 and signed on its behalf by:

Dimitri Lomjaria Director

May 29, 2020

The accompanying notes on pages 8 to 21 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

(Thousands of Georgian Lari)

	Notes	*2019*	*2018*
Assets			
Non-current assets			
Property and equipment	4	9,768	10,021
Intangible assets	5	309	359
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Total equity and liabilities		**41,822**	**41,066**

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Dimitri Lomjaria Director

May 29, 2020

The accompanying notes on pages 8 to 21 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Georgian Lari)

	Notes	*2019*	*2018*
Revenue from transaction processing		9,472	9,507
Revenue from maintenance services		924	740
Total revenues	12	**10,396**	**10,247**
Other operating income	13	182	598
Salaries and other employee benefits	14	(4,760)	(4,707)
Rent	12	–	(1,191)
Depreciation and amortisation	4, 5, 12	(2,250)	(1,763)
Other operating expenses	13	(4,312)	(3,324)
Operating loss		**(744)**	**(140)**
Interest income		–	23
Interest expenses		(32)	
Foreign exchange gain		30	(32)
Loss before income tax expense		**(746)**	**(149)**
Income tax expense	15	–	–
Loss and total comprehensive income/(loss) for the year		**(746)**	**(149)**

The accompanying notes on pages 8 to 21 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Georgian Lari)

	Charter Capital	*Retained earnings/(loss)*	*Total*
31 December 2017	**15,244**	**608**	**15,852**
Total comprehensive income for the year	-	(149)	(149)
31 December 2018	**15,244**	**459**	**15,703**
Total comprehensive loss for the year	-	(746)	(746)
31 December 2019	**15,244**	**(287)**	**14,957**

The accompanying notes on pages 8 to 21 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Georgian Lari)

	Notes	2019	2018
Cash flows from operating activities			
Loss before tax		(746)	(149)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation and amortisation	4,5,12	2,250	1,763
Gain on disposal of property and equipment		(48)	(327)
Allowance expenses		17	23
Finance cost		58	-
Working capital adjustments:			
Change in inventories		(889)	(1,787)
Change in prepayments and other current assets		(280)	(11)
Change in accounts receivable		23	(124)
Change in accounts payable and operating taxes payable		720	(9,636)
Net cash flows from operating activities before income tax		**1,105**	**(10,248)**
Interest expense		(53)	
Income tax paid		-	-
Net cash flows from operating activities		**1,052**	**(10,248)**
Cash flows used in investing activities			
Purchase of property and equipment	4	(1,667)	(1,426)
Purchase of intangible assets	5	(69)	(1)
Proceeds from sale of property and equipment		85	903
Withdrawal/(Placements) of amounts due from credit institutions		535	483
Net cash used in investing activities		**(1,116)**	**(41)**
Cash flows used in financing activities			
Proceed form borrowings	13	600	-
Repayment of borrowings	13	(84)	-
Payment of principal portion of lease liabilities	12	(250)	-
Net cash used in finansing activities		**266**	**-**
Net increase/(decrease) in cash and cash equivalents		**202**	**(10,289)**
Cash and cash equivalents, beginning	9	**25,812**	**36,101**
Cash and cash equivalents, end	9	**26,014**	**25,812**

The accompanying notes on pages 8 to 21 form an integral part of these financial statements.

1. Background

Direct Debit Georgia LLC ("the Company") is a limited liability company incorporated on 7 March 2006 with legal address at 106 Beliashvili Street, Tbilisi, Georgia. 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 is Bank of Georgia Group PLC, a UK based entity listed on London Stock Exchange.

These financial statements have not yet been approved by the owner. The owner has the power and authority to amend the financial statements after issue.

2. Basis of preparation

(a) Statement of compliance

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The Company presents comparative information for all amounts reported in the current period's financials statement for one preceding period – year ended 31 December 2018.

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.

(b) Basis measurement

The financial statements have been prepared on a historical cost basis. These financial statements have been presented in thousands of Georgian Lari (GEL), except otherwise stated.

(c) Going Concern

Management has prepared these financial statements on a going concern basis. In making this judgment management considered the Company'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 has assessed the future perspectives (see note 19) in the current situation and, as a result, the Company's management believes that there is no doubt about the Company's ability to continue as a going concern for at least the following 12 months after reporting period.

3. Summary of significant accounting policies

Current versus non-current classification

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

FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Property and equipment

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognised in the profit or loss within other operating expense. Costs related to repairs and renewals are charged when incurred and included other operating expenses unless they qualify for capitalisation.Depreciation of an asset commences when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

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

Leasehold improvements are depreciated over the shorter of five years or the life of the related leased asset. The asset's residual value and useful life are reviewed, and adjusted as appropriate, at each reporting date.

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

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

Intangible assets

Intangible assets include computer software and 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 five to seven 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.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Company can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred.

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.

3. Summary of significant accounting policies (continued)

The Company 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 financial statements as at 31 December 2018.

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 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 Company'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 Company 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 Company. The Company 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 Company'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.

3. Summary of significant accounting policies (continued)

Financial assets (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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 Company 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 Company 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 Company'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.

3. Summary of significant accounting policies (continued)

Financial liabilities (continued)

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.

Cash and cash equivalents and settlement-related accounts payable

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 Company’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 Company’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 working three days.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, If necessary, appropriate adjustments are made. Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset.

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 15). 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 Company 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 Company 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.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing

3. Summary of significant accounting policies (continued)

Lease liabilities (continued)

rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Charter capital

The amount of Company's authorised charter capital is defined by the Company's Charter. The authorised capital is recognised as charter capital in the equity of the Company to the extent that it was contributed by the owners to the Company.

Dividends

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

Revenue from contract with customers

The Company is in the business of providing payment services via cash desks or self service terminals as well as maintenance services of self service terminals. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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

Revenue from maintenance services

The Company provides maintenance services to the related party bank operating its own self service terminals.The Company 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.

(Thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Recognition of expenses

Expenses are recognized in the income statement if there arises any decrease of future economic profit related to the decrease of an asset or increase of a liability that can be reliably assessed.

Expenses are recognized in the income statement immediately, if the expenses do not result in future economic profit anymore, or if future economic profit does not meet or stop to meet the requirements of recognition as an asset in the balance sheet.

Foreign currency translation

The 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 gain, 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 gain, net. The official NBG exchange rates at 31 December 2019 and 2018 were 2.8677 and 2.6766 GEL to USD, respectively.

Application of new standards, interpretations and amendments

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by IASB that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the Company:

IFRS 16 *Leases* - The company has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 *Leases* and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in other operating expenses) and an interest expense on the recognised lease liabilities (included in other operating espenses). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

IFRS 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

Right-of-use asset (IFRS 16)	443
Lease liability (IFRS 16)	443
Reduction in opening retained profits as at 1 January 2019	-

When adopting IFRS 16 from 1 January 2019, the 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.

FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Georgian Lari)

4. Property and equipment

The movements in property and equipment were as follows:

	Self service terminals and spare parts	Furniture and fixtures	Computers and office equipment	Motor vehicles	Leasehold improve-ments	Other equipment	Total
Cost							
31 December 2017	**15,434**	**38**	**306**	**196**	**192**	**25**	**16,191**
Additions	1,180	39	101	65	39	2	1,426
Disposals	(775)	-	-	(26)	-	(17)	(818)
Transfers	-	-	-	-	-	-	-
Write offs	0	(2)	(21)	(38)	0	(3)	(64)
31 December 2018	**15,839**	**75**	**386**	**197**	**231**	**7**	**16,735**
Additions	724	26	177	586	1	153	1,667
Disposals	(39)	(21)	(1)	(40)	0	(6)	(107)
Transfers	-	-	-	-	153	(153)	-
Write offs	-	(2)	(13)	(16)	-	8	(23)
31 December 2019	**16,524**	**78**	**549**	**727**	**385**	**9**	**18,272**
Accumulated depreciation and impairment							
31 December 2017	**5,057**	**16**	**129**	**92**	**68**	**13**	**5,375**
Depreciation charge	1,483	11	66	39	42	4	1,645
Disposals	(204)	-	-	(25)	-	(13)	(242)
Write offs	-	(2)	(21)	(38)	-	(3)	(64)
31 December 2018	**6,336**	**25**	**174**	**68**	**110**	**1**	**6,714**
Depreciation charge	1,617	9	88	97	68	3	1,882
Disposals	(24)	(13)	-	(27)	-	(5)	(69)
Write offs	-	(2)	(13)	(16)	-	8	(23)
31 December 2019	**7,929**	**19**	**249**	**122**	**178**	**7**	**8,504**
Net book value:							
31 December 2018	**9,503**	**50**	**212**	**129**	**121**	**6**	**10,021**
31 December 2019	**8,595**	**59**	**300**	**605**	**207**	**2**	**9,768**

5. Intangible assets

The movements in intangible assets were as follows:

	Cost	Amortisation charge
31 December 2017	**747**	**(271)**
Additions / (Amortisation charge)	1	(118)
31 December 2018	**748**	**(389)**
Additions / (Amortisation charge)	69	(119)
31 December 2019	**817**	**(508)**

6. Inventories

Inventories as at 31 December 2019 and December 2018 comprise of following:

	2019	2018
Spare parts	3,715	2,551
Others	322	597
Total inventories	**4,037**	**3,148**

FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Georgian Lari)

7. Accounts receivable

Account receivable as at 31 December 2019 and December 2018 comprise of following:

	2019	*2018*
Receivables from related parties (Note 17)	756	757
Other receivables	198	221
	954	**978**
Less – Loss allowance	(39)	(23)
Total accounts receivable, net	**915**	**955**

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 25 calendar days. As at 31 December 2019, accounts receivable with initial carrying value of GE 39 were impaired and fully provided for.

8. Amounts due from credit institutions

As at 31 December 2018, amounts due from credit institutions were represented by a placements with banks with original maturity of 12 months. In 2018 the Company earned interest income of GEL 23.

9. Cash and cash equivalents

Cash and cash equivalent as at 31 December 2019 and December 2018 comprise of following:

	2019	*2018*
Settlement-related cash in transit	24,466	24,048
Settlement-related cash on a related party bank account (Note 17)	17	-
Cash on hand	1,133	992
Cash on a related party bank account (Note 17)	397	575
Cash on non-related party bank account	1	197
Total cash and cash equivalents	**26,014**	**25,812**

Settlement-related cash in transit represents cash received from individuals before its deposit on the servicing related party bank's account. Depending on the operating cycle settlement-related cash in transit can be either in self-service terminals before collection (2019 and 2018: GEL 12,886 and GEL 4,544 respectively) or at servicing related party bank before they are counted and deposited on the account (2019 and 2018: GEL 11,575 and GEL 19,547 respectively).

According to the requirements of the law of Georgia on Payment Systems and Payment Services, on 11 April 2018 the Company made new bank account with nominal ownership, which means that it is separated from own funds and it can not be used to secure the Company's obligations. Due to this law, the Company made an ofsset Settlement-related cash on a related party bank account against relevant Accounts payable (Note 11) as at 31 December 2019.

Cash on bank accounts earns interest at floating rates based on daily bank deposit rates. The 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.

10. Equity

As at 31 December 2019 and 31 December 2018 the Company had fully contributed charter capital of GEL 15,244. In 2019 and 2018, no dividends were declared or distributed. The Company does not have a formal capital management policy.

11. Accounts payable

Accounts payable as at 31 December 2019 and December 2018 comprise of following:

	2019	*2018*
Settlement-related payables to related parties (Note 19)	25,657	25,042
Accruals for employee compensation	198	193
Other payables	95	91
Total accounts payable	**25,950**	**25,326**

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

FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Georgian Lari)

12. Leases

Company as a lessee

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

The Company 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.

Set aut below are the carrying amounts of right-of-use assets recognised and movoments during the period:

	Land and building
Cost:	
As at 1 January - effect of adoption of IFRS 16	**445**
Additions	247
Disposals	(340)
As at 31 December 2019	**352**
Accumulated depreciation and impairment:	
As at 1 January 2019	
Depreciation charge	249
Disposals	(160)
As at 31 December 2019	**89**
Net book value:	
01 January 2019	**445**
31 December 2019	**263**

Set aut below are the carrying amounts of lease liabilities recognised and movoments during the period:

	2019
As at 1 January - effect of adoption of IFRS 16	443
Additions	233
Disposals	(167)
Accrued of interest	26
Foreign exchange adjustments	-
Payments	(274)
As at 31 December 2019	**261**

The following are the amounts recognised in profit or loss:

	2019
Depreciation expense of right-of-use assets	249
Interest expenses of lease liabilities	26
Expenses relating to short-term leases	3
Expenses relating to leases of low-value assets	308
Total amount recognised in profit of loss	**586**

Since the Company has adopted IFRS 16, it no longer has the rent expense in the Statement of Comprehensive Income.

13. Borrowing

The Company's borrowings are summarized in the below table:

	Interest rate	2019	2018
JSC Didi Digomi Research Center	11%		
Total:		600	-
Principal		516	-
Interest payable		5	-
Total:		521	-

(Thousands of Georgian Lari)

13. Borrowing (continued)

Movements in borrowings were as follows:

At 31 December 2018	-
Increase in borrowing	600
Interest expense for the year	32
Repayment of principal	(84)
Interest paid	(27)
At 31 December 2019	**521**

14. Revenues from contracts with customers

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

Contract assets and liabilities

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

	2019	*2018*
Accounts receivable	915	955

Accounts receivable are recognised when the right to consideration becomes unconditional.

The Company 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 Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

15. Other operating income and expense

	2019	*2018*
Net gain from sale of refurbishement services and equipment	24	428
Other operating income	158	170
Total other operating income	**182**	**598**
Cost of inventory used	(1,210)	(1,250)
Repair and maintenance	(640)	(784)
Lease-like services with undefined space or no contract	(596)	-
Cash collection	(340)	(360)
Expense relating to low-value items of leases	(308)	-
Stolen and damaged banknotes	(173)	(170)
Commission fees	(168)	(199)
Communication networking	(153)	(95)
Electricity	(136)	(136)
Operating taxes	(133)	(123)
Utilities	(71)	-
Allowance For receivables	(17)	(23)
Audit expenses	(11)	(35)
Expenses relating to short-term leases	(3)	-
Net loss from disposal of property and equipment	-	(1)
Other operating expense	(353)	(148)
Total other operating expense	**(4,312)**	**(3,324)**

FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Georgian Lari)

16. Salaries and other employee benefits

	2019	*2018*
Salaries and other benefits	4,587	4,514
Cash bonuses	173	193
Total salaries and other employee benefits	**4,760**	**4,707**

17. Taxation

In June 2016, amendments to the Georgian tax law in respect of corporate income tax became enacted. The amendments became effective from 1 January 2017 for all Georgian companies except the banks, insurance companies and microfinance organization, for which the effective date is 1 January 2019. Under the new regulation, corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia, rather than on profit earned. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of net distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax.

Following the enactment of the amendments, as at 31 December 2016, the Company 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 Company had no distributed profits (dividends). Management believes the Company is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

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18. Risk arising from financial instruments

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

Credit risk

Credit risk is the risk that the 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 Company has no other significant financial assets subject to credit risk except for:

- Cash at banks and amounts due from credit institutions

  As at 31 December 2019 and 31 December 2018, the Company placed GEL 397 and GEL 1,567 with the related party bank, having a 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 Company are mostly comprised of receivables from services provided to related parties. These receivables are mostly denominated in GEL and mostly 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

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

As at 31 December 2019 and 31 December 2018, the Company's all financial liabilities are due within 3 months and contractual undiscounted repayment obligations are equal to their carrying values.

Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Company has exposure to currency risk.

(Thousands of Georgian Lari)

18. Risk arising from financial instruments (continued)

Currency risk

The Company is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company's exposure to foreign exchange risk arises primarily with respect to USD and EUR.

The tables below indicate the currencies to which the Company had significant exposure on its monetary assets and liabilities as at 31 December 2019 and 31 December 2018. The analysis calculates the effect of a reasonably possible movement of the currency rate against GEL, with all other variables held constant on the profit or loss. A negative amount in the table reflects a potential net reduction in profit or loss, while a positive amount reflects a net potential increase. The effect on pre-tax equity is equal to effect on profit before tax as presented below.

	2019		**2018**	
	Increase / (decrease) in currency rate	**Effect on profit before tax**	**Increase / (decrease) in currency rate**	**Effect on profit before tax**
USD / GEL	+10%	185	+10%	151
USD / GEL	-10%	(185)	-10%	(151)
EUR / GEL	+15%	36	+15%	-
EUR / GEL	-15%	(36)	-15%	-

19. Related party transactions

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

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

The volumes of related party transactions and outstanding balances were as follows:

	2019		***2018***	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Assets				
Cash and cash equivalents	-	414	-	575
Amounts due from credit institutions	-	-	-	535
Accounts receivable	44	719	-	757
Prepayments and other current assets	-	28	-	5
	44	**1,161**	**-**	**1,872**
Liabilities				
Accounts payable	28	25,622	28	25,014
Lease liabilities	129	-	-	-
Borrowings	-	521	-	-
	157	**26,143**	**28**	**25,014**

Accounts receivable principally represent receivables for transaction processing from JSC Bank of Georgia with payment terms in range between 5 to 25 calendar days.

Accounts payable 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.

FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of Georgian Lari)

17. Related party transactions (continued)

	2019		2018	
	*Parent**	*Entities under common control*	*Parent**	*Entities under common control*
Sales				
Revenue from transaction processing services	-	8,484	-	8,589
Revenue from maintenance services	-	941	-	740
	-	**9,425**	**-**	**9,329**
Other operating income				
Income from sale of property and equipment (a)	-	22	-	902
Income from sale of inventory (b)	-	-	-	59
Other operating income	-	10	-	12
	-	**32**	**-**	**973**
Purchases and expenses				
Rent	-	-	8	14
Other operating expenses	335	637	6	1,191
	335	**637**	**14**	**1,205**
Other items				
Finance expense	9	-	-	-
Interest income	-	32	-	23

* *Parent* column comprised outstanding balances and turnovers with the Parent, JSC Georgian Card, as well as intermediate 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.

In 2019 and 2018, compensation of key management personnel totalled GEL 84 and GEL 88, respectively.

20. Events after the reporting date

On 28 April 2020 Company took new loan with amount of 100 GEL from Related Party Company. Loan term is 36 month and annual interest rate is 11,8%.

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, has faced challenges. The company believes it has all the resources needed to continue as a going concern. However, 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.

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

LLC Direct Debit Georgia

The Company's Management Report

2019

May 2020

The Company's Management Report

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

We are pleased to present management report of "Direct Debit Georgia, LLC" for the year ended 31 December 2019. 2019 was full of changes as the company reshaped its payment channels and client range to achieve financial efficiency in cost optimization.

We continue to refine our service quality and we offer a better work environment for our employees. Judging by our results we can say confidently that stability is the main foundation for our achievements. In the future, we plan significant changes to strengthen our position.

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.

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 a main part of multifunctional services are updated frequently.

What We Do (continued)

Multifunctional self-service terminals (continued)

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

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

Corporate Clients

Since 2017 the Company has implemented a project, which includes placement of specialized self-service terminals at largest chain gas stations such as Gulf Georgia, SOCAR Georgia Petroleum, Neogas, Rompetrol NV.

We have added new service in 2019: placement and minor technical support including supply of expendable materials of banking POS terminals. We are also offering placement and minor technical support for the so called "smart" POS terminals that can be used as cash register as well as banking.

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 and Batumi Customs Clearance Zone.

Short Financial Overview

The Company is incorporated in the structure of public limited liability company "Bank of Georgia Group" traded on London Stock Exchange. Therefore, by the request of ultimate parent, Company's accounting policy has been in line with IFRS Standards since its establishment. The first financial statement audited in compliance with IFRS Standards was published in 2018. EY Georgia LLC provided the auditing service to the Company and the relevant statement was published which reflected the financial position for the last three years. In December 2018, the Company changed the auditing service provider to NEXIA TA LLC. Financial summary of the Company is given below:

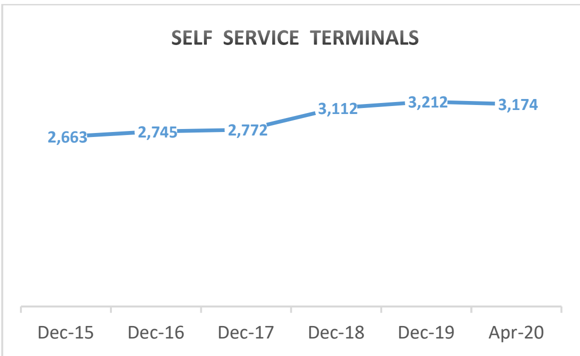
Statement of Financial Position	**2019**	**2018**
Total assets	**41,822**	**41,066**
Total equity	**14,957**	**15,703**
Total liabilities	**26,865**	**25,363**
Total equity and liabilities	**41,822**	**41,066**

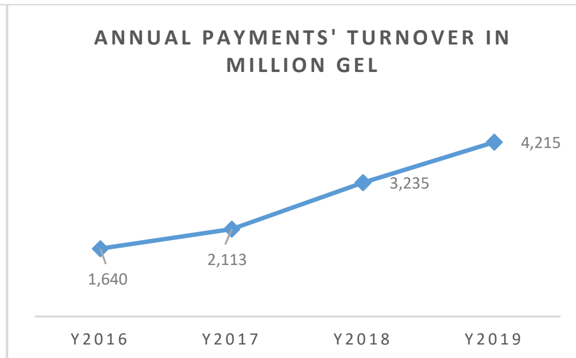
Statement of Comprehensive Income	**2019**	**2018**
Total revenues	10,578	10,845
Total operating expenses	(11,322)	(10,985)
Operating profit/(loss)	**(744)**	**(140)**
Other financial items	(2)	(9)
Profit/(loss) before income tax expenses	**(746)**	**(149)**
Income tax benefit	-	-
Profit/(loss) and total comprehensive income/(loss) for the year	**(746)**	**(149)**

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 2019 and December 31 2018, 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.

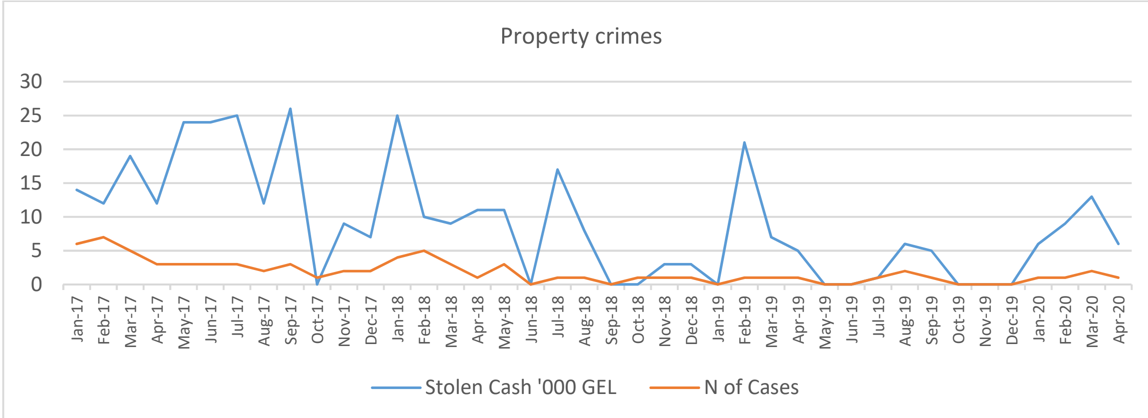
The Company has been always fulfilling its contractual obligations and has never experienced a default. The Company will fulfill the contractual obligations in the future.

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.

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.

Combating Money Laundering and Terrorism Financing

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.

Changes in the legal and regulatory environment

Direct Debit Georgia, LLC is a payment service provider registered under the National Bank of Georgia. In addition, it is a payment service agent for the Bank of Georgia, JSC. As a result, the company complies with the regulations that govern payment service providers. To protect customers of payment service providers' regulators are adopting stricter regulations not only in Georgia but in the whole region. This trend makes operational activities more difficult for the industry.

Corporate Management Report

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

Director's Curriculum Vitae

Dimitri Lomjaria was appointed to the position of Director at the Company in 2020. He has 15 year experience in banking business and was employed on several key positions at JSC Bank of Georgia during 2004-2019,

He ob tained a Bachalor's Degree of Finance and Banking at Ivane Javakhishvili Tbilisi State University and MBA at Grenoble Ecole de Management.

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

Internal Audit

The main objective of the internal audit is to assess the organization's compliance with the policies, procedures, and standards to enhance management efficiency. Internal Audit provides a report to the Board of Directors to assess how efficiently management employees the company's resources and delivers recommendations for further improvement. In addition, risks, corporate governance and management system is assessed as a whole to capture the adequacy of the system and prevent risks.

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.

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 are owned by JSC Georgian Card, which in turn is owned by JSC Express Technologies (99.46%). 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 2019 is about 329 people (2018 – 370). From applying 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.

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