2021

Direct Debit Georgia LLC

IFRS Financial statements

For the year ended 31 December 2021
With Independent Auditor's Report

CONTENTS

INDEPENDENT AUDITOR'S REPORT……………………………………………………………………..2

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION 4
STATEMENT OF COMPREHENSIVE INCOME 5
STATEMENT OF CHANGES IN EQUITY 6
STATEMENT OF CASH FLOWS 7

NOTES TO THE FINANCIAL STATEMENTS

1. Background 8
2. Basis of preparation 8
3. Summary of significant accounting policies 8
4. Standards issued but not yet effective 14
5. Significant accounting judgments, estimates and assumptions 14
6. Property, plant and equipment 16
7. Intangible assets 16
8. Inventories 17
9. Accounts receivable 17
10. Cash and cash equivalents 17
11. Charter Capital 17
12. Accounts payable 17
13. Leases 18
14. Borrowing 19
15. Revenues from contracts with customers 19
16. Other operating income and expense 20
17. Salaries and other employee benefits 20
18. Taxation 20
19. Risk arising from financial instruments 21
20. Related party transactions 22
21. Events after the reporting date 23

Nexia TA

Member of Nexia International

INDEPENDENT AUDITOR'S REPORT

To the Owner and the Management of Direct Debit Georgia LLC

Report on the Audit of the Financial Statements

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 2021, 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 2021, 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 – transactions with related parties

We draw attention to Note 20 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 Company's 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.no

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.

Report on Other Legal and Regulatory Requirements

In our opinion, based on the work performed in the course of our audit, the information given in the Company's Management Report 2021, in all material respects:

- Is consistent with the financial statements for the year ended 31 December 2021; and
- Includes the information required by the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

Ana Gabedava, Engagement Partner (SARAS-A-518332)

Nexia TA LLC (SARAS-F-550338)

9 June 2022

Tbilisi, Georgia

Nexia TA

Member of Nexia International

INDEPENDENT AUDITOR'S REPORT

To the Owner and the Management of Direct Debit Georgia LLC

Report on the Audit of the Financial Statements

Opinion

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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.no

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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.

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- 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.
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Ana Gabedava, Engagement Partner (SARAS-A-518332)

Nexia TA LLC (SARAS-F-550338)

9 June 2022

Tbilisi, Georgia

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

(Thousands of Georgian Lari)

	Notes	2021	2020
Assets			
Non-current assets			
Property and equipment	6	7,907	9,868
Intangible assets	7	83	194
Right of use Assets	13	313	135
		8,303	**10,197**
Current assets			
Inventories	8	1,690	1,081
Prepayments and other current assets		192	627
Accounts receivable	9	1,254	1,252
Cash and cash equivalents	10	46,751	36,580
Total Current Assets		**49,887**	**39,540**
Total assets		**58,190**	**49,737**
Equity			
Charter capital	11	15,244	15,244
Accumulated losses		(5,258)	(2,078)
Total equity		**9,986**	**13,166**
Non-current liabilities			
Borrowings	14	242	205
Lease liabilities	13	168	38
		410	**243**
Current liabilities			
Accounts payable	12	47,189	35,820
Borrowings	14	301	223
Lease liabilities	13	170	143
Operating taxes payable		134	142
		47,794	**36,328**
Total liabilities		**48,204**	**36,571**
Total equity and liabilities		**58,190**	**49,737**

The financial statements on pages 4 to 23 were approved by the management of Direct Debit Georgia LLC on 9 June 2022 and signed on its behalf by:

Dimitri Lomjaria Director

The accompanying notes on pages 8 to 23 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

(Thousands of Georgian Lari)

	Notes	2021	2020
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Property and equipment	6	7,907	9,868
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Dimitri Lomjaria Director

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

(Thousands of Georgian Lari)

	Notes	2021	2020
Revenue from transaction processing		10,230	10,217
Revenue from maintenance services		1,206	1,342
Total revenues	15	**11,436**	**11,559**
Other operating income	16	310	304
Salaries and other employee benefits	17	(4,804)	(4,334)
Depreciation and amortisation	6,7,13	(2,470)	(2,341)
Other operating expenses	16	(7,632)	(6,943)
Operating profit/(loss)		**(3,160)**	**(1,755)**
Interest expenses		(41)	(52)
Foreign exchange gain		21	16
Loss before income tax expense		**(3,180)**	**(1,791)**
Income tax expense	18	-	-
Total comprehensive loss for the year		**(3,180)**	**(1,791)**

The accompanying notes on pages 8 to 23 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

(Thousands of Georgian Lari)

	Charter Capital (Note 10)	Retained earnings	Total
31 December 2019	**15,244**	**(287)**	**14,957**
Total comprehensive loss for the year	-	(1,791)	(1,791)
31 December 2020	**15,244**	**(2,078)**	**13,166**
Total comprehensive loss for the year	-	(3,180)	(3,180)
31 December 2021	**15,244**	**(5,258)**	**9,986**

The accompanying notes on pages 8 to 23 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Thousands of Georgian Lari)

Cash flows from operating activities	**Notes**	**2021**	**2020**
Profit/(loss) before tax		(3,180)	(1,791)
Adjustments to reconcile profit/(loss) before tax to net cash flows:			
Depreciation and amortisation	6,7,13	2,470	2,344
Loss/(gain) on disposal of property and equipment		346	114
Finance cost		53	70
Allowance expenses	16	73	33
Working capital adjustments:			
(Increase)/decrease in inventories		(609)	2,956
(Increase)/decrease in prepayments and other current assets		435	(111)
(Increase)/decrease in accounts receivable		(75)	(370)
Increase/(decrease in accounts payable		11,361	9,879
Net cash flows from operating activities before income tax		**10,874**	**13,124**
Interest expense		(50)	(71)
Net cash flows from operating activities		**10,824**	**13,053**
Cash flows used in investing activities			
Purchase of property and equipment	6	(561)	(2,273)
Purchase of intangible assets	7	(11)	(9)
Proceeds from sale of property and equipment		1	1
Net cash used in investing activities		**(571)**	**(2,281)**
Cash flows used in financing activities			
Proceeds from borowings	14	350	100
Repayment of borrowings	14	(236)	(192)
Payment of principal portion of lease liabilities		(196)	(114)
		(82)	**(206)**
Net increase in cash and cash equivalents		**10,171**	**10,566**
Cash and cash equivalents, beginning	10	**36,580**	**26,014**
Cash and cash equivalents, end	10	**46,751**	**36,580**

The accompanying notes on pages 8 to 23 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 and the identification number: 205130464.

The Company offers payment services via cash desks or self service terminals as well as maintenance services of self service terminals which are principal activities.

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 2021.

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, liquidity gap, stable trend of revenue and access to local and international financial resources, as necessary.

The company has been at a loss for 2 years, however its net equity is positive and amounts to 9,986 GEL, in addition as given in the note 21 the Company has renegotiated the fee for its principal activity (transactions through Self-Service Terminals' Network) and change it from flat rate to the multidimentional fee rate. In view of the above facts, 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.

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.

- Land and building ------ Lease term.

The right-of-use asset are also subject of impairement.

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 18). 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.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration.

3. Summary of significant accounting policies (continued)

Company as a leasee

The Company applies a single recognition and measurement approach for all lease, except for short-term leases and leases of low-value assets.The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the undelying assets.

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 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

3. Summary of significant accounting policies (continued)

Interest income (continued)

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.

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 2021 and 2020 were 3.0976 and 3.2766 GEL to USD, respectively.

4. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Companie's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

The amendments are not expected to have a significant impact on the Companie's financial statements.

5. Significant accounting judgments, estimates and assumptions

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

5. Significant accounting judgements, estimates and assumptions (continued)

Useful lives of property, equipment and Intangible assets

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

Current useful lives of property, equipment and intangible assets are presented in the Note 3 above. Depreciation and amortisation charges are presented in the Notes 6 and 7 respectively.

Allowance for financial assets

IFRS 9 requires management to make a number of judgements, assumptions and estimates that affect the allowance for ECL. Estimates and judgements are based on management’s knowledge and historical experience. The Group applies the simplified approach for all of its financial assets and records lifetime expected losses on them.

The amount of expected credit loss recognised for financial assets carried at amortised cost is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

6. Property, plant and equipment

The movements in Property,plant and equipment were as follows:

Cost	Self service terminals and Spare parts	Furniture & Fixtures	Computers & Office equipment	Motor vehicles	Leasehold improvements	Other Equipment	Total
31 December 2019	**16,524**	**78**	**549**	**727**	**385**	**9**	**18,272**
Additions	424	3	99	385	7	1,357	2,275
Disposals	(18)	-	-	-	-	(4)	(22)
Write off	(213)	-	(190)	(29)	(147)	-	(579)
31 December 2020	**16,717**	**81**	**458**	**1,083**	**245**	**1,362**	**19,946**
Additions	71	6	75	409	-	-	561
Disposals	(796)	-	-	(5)	-	-	(801)
Transfers	-	-	-	-	-	-	-
Write off	-	-	(38)	(2)	(13)	(2)	(55)
31 December 2021	**15,992**	**87**	**495**	**1,485**	**232**	1,360	**19,651**
Accumulated depreciation and impairment							
31 December 2019	**7,929**	**19**	**249**	**122**	**178**	**7**	**8,504**
Depreciation charge	1,659	5	113	156	76	51	2,060
Disposals	(118)	-	-	(14)	-	(4)	(136)
Write off	-	-	(188)	(15)	(147)	-	(350)
31 December 2020	**9,470**	**24**	**174**	**249**	**107**	**54**	**10,078**
Depreciation charge	1,643	8	92	247	48	136	2,174
Disposals	(449)	-	-	(5)	-	-	(454)
Write off	-	-	(38)	(1)	(13)	(2)	(54)
31 December 2021	**10,664**	**32**	**228**	**490**	**142**	**188**	**11,744**
Net book value:							
31 December 2019	**8,595**	**59**	**300**	**605**	**207**	**2**	**9,768**
31 December 2020	**7,247**	**57**	**284**	**834**	**138**	**1,308**	**9,868**
31 December 2021	**5,328**	**55**	**267**	**995**	**90**	**1,172**	**7,907**

7. Intangible assets

The movements in intangible assets were as follows:

Cost	**Computer Software**
31 December 2019	**817**
Additions	9
31 December 2020	**826**
Additions	11
31 December 2021	**837**
Accumulated amortization	
31 December 2019	**508**
Amortization charge	124
31 December 2020	**632**
Amortization charge	122
31 December 2021	**754**
Net book value:	
31 December 2019	**309**
31 December 2020	**194**
31 December 2021	**83**

8. Inventories

Inventories as at 31 December 2021 and December 2020 comprise of following:

	31-12-2021	31-12-2020
Spare parts*	1,177	886
Others	513	195
Total Inventory	**1,690**	**1,081**

*Spare parts written-off are included in the other operating expense line as presented in the note 15.

9. Accounts receivable

Account receivable as at 31 December 2021 and December 2020 comprise of following:

Accounts Receivable	31-12-2021	31-12-2020
Receivables from related parties (Note 19)	944	842
Other receivables	451	478
	1,395	**1,320**
Less - Loss Allowance	(141)	(68)
Total accounts receivable, net	**1,254**	**1,252**

As at 31 December 2021 and 31 December 2020, 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 2021, accounts receivable with initial carrying value of GEL 141 were impaired and fully provided for (2020 – GEL 65).

10. Cash and cash equivalents

Cash and cash equivalent as at 31 December 2021 and December 2020 comprise of following:

	31-12-2021	31-12-2020
Settlement-related cash in transit	45,148	34,142
Settlement-related cash on a related party bank account (Note 19)	-	11
Cash on hand	1,199	1,117
Cash on a related party bank account (Note 19)	403	1,309
Cash on non-related party bank account	1	1
Total cash and cash equivalents	**46,751**	**36,580**

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 (2021 and 2020: GEL 27,470 and GEL 23,701 respectively) or at servicing related party bank before they are counted and deposited on the account (2021 and 2020: GEL 17,678 and GEL 10,441 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 2021.

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.

11. Charter Capital

As at 31 December 2021 and 31 December 2020 the Company had fully contributed charter capital of GEL 15,244. In 2021 and 2020, no dividends were declared or distributed. The Company does not have a formal capital management policy.

12. Accounts payable

Accounts payable as at 31 December 2021 and December 2020 comprise of following:

12. Accounts payable (continued)

	31-12-2021	31-12-2020
Settlement-related payables to related parties (Note 19)	46,375	35,456
Accruals for employee compensation	373	196
Other payables	441	168
Total accounts payable	**47,189**	**35,820**

As at 31 December 2021 and 31 December 2020, the carrying amounts disclosed above reasonably approximate their fair values.

13. 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 31 December 2019	**352**
Additions	33
Disposals	(57)
As at 31 December 2020	**328**
Additions	352
Disposals	(274)
As at 31 December 2021	**406**
Accumulated depreciation and impairment	
As at 31 December 2019	**89**
Depreciation charge	163
Disposals	(59)
As at 31 December 2020	**193**
Depreciation charge	174
Disposals	(274)
As at 31 December 2021	**93**
Net book value:	
31 December 2019	**263**
31 December 2020	**135**
31 December 2021	**313**

13. Leases (continued)

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

As at 31 December 2019	**261**
Additions	32
Disposals	(5)
Accrued of interest	18
Foreign exchange adjustments	37
Payments	(162)
As at 31 December 2020	**181**
Additions	348
Disposals	-
Accrued of interest	5
Foreign exchange adjustments	9
Payments	(205)
As at 31 December 2021	**338**

Lease expenses related to the contracts exempted from recognition criteria under IFRS 16, is shown in note 15 in the following section: „Lease-like services with undefined space or no contract“, and the depreciation charge of the right to use the asset is shown in the Statement of Comprehensve Income in the section "Depreciation and amortization".

14. Borrowing

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

	Interest rate	31-12-2021	31-12-2020
JSC Didi Digomi Research Center	11%	**GEL**	**GEL**
Total:		**1,050**	**700**
Principal		538	424
Interest payable		5	4
Total:		**543**	**428**

Movements in borrowings were as follows:

At 31 December 2020	**521**
Increase in borrowing	100
Interest expense for the year	52
Repayment of principal	(192)
Interest paid	(53)
At 31 December 2020	**428**
Increase in borrowing	350
Interest expense for the year	39
Repayment of principal	(236)
Interest paid	(40)
At 31 December 2021	**543**

15. 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.

15. Revenues from contracts with customers (continued)

Contract assets and liabilities

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

	31-12-2021	31-12-2020
Accounts receivable	1,254	1,252

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.

16. Other operating income and expense

	2021	2020
Other operating income	310	304
Net gain from sale of refurbishement services and equipment	-	-
Total other operating income	**310**	**304**
Cost of materials used	(3,084)	(3,324)
Repair and maintenance service cost	(1,263)	(920)
Lease-like services with undefined space or no contract	(484)	(400)
Stolen and damaged banknotes	(72)	(368)
Small value item leases	(421)	(362)
Communication networking	(343)	(311)
Cash collection	(306)	(303)
Operating taxes	(110)	(168)
Electricity	(199)	(135)
Utilities	(83)	(65)
Commission withheld by bank for processing card payments	(110)	(52)
Allowance for impairment	(73)	(33)
Audit expenses	(24)	(21)
Short term leases	-	-
Fuel	(830)	(307)
Other operating expenses	(230)	(174)
Total other operating expense	**(7,632)**	**(6,943)**

* Cost of materials used for the year ended 31 December 2021 includes used items amounting GEL 0 (2020 GEL 1,398) that have been written-off after detailed inspection of payment terminals during 2021.

17. Salaries and other employee benefits

	2021	2020
Salaries and Other benefits	(4,431)	(4,193)
Cash Bonuses	(373)	(141)
Total Salaries and Other Employee Benefits	**(4,804)**	**(4,334)**

18. Taxation

In June 2016, amendments to the Georgian tax law in respect of corporate income tax became enacted. The amendments became effective from 1 January 2017 for all Georgian companies except the banks, insurance companies and microfinance organization, for which the effective date is 1 January 2023. Under the new regulation, corporate income tax is levied on profit distributed as dividends to the shareholders that are

18. Taxation (continued)

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 2021 and 2020, 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.

19. 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 2021 and 31 December 2020 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 2021 and 31 December 2020, the Company placed GEL 403 and GEL 1,309 with the related party bank, having a ratings of BB/B from Standard & Poor's, B1/NP (FC) & Ba2/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. As at 31 December 2021, accounts receivable with initial carrying value of GEL 141 were impaired and fully provided for.

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 2021 and 31 December 2020, 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.

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 2021 and 31 December 2020. 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.

19. Risk arising from financial instruments (continued)

Currency risk (continued)

	2021		2020	
	Increase / (decrease) in currency rate	**Effect on profit before tax**	**Increase / (decrease) in currency rate**	**Effect on profit before tax**
USD / GEL	+10%	5	+10%	(7)
USD / GEL	-10%	(5)	-10%	7
EUR / GEL	+15%	2	+15%	5
EUR / GEL	-15%	(2)	-15%	(5)

20. 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:

	31-12-21		31-12-20	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Assets				
Cash and cash equivalents	-	403	-	1,320
Accounts receivable	-	944	-	842
Prepayments and other current assets	-	-	-	-
	-	**1,347**	**-**	**2,162**
Liabilities				
Accounts payable	39	46,337	39	35,456
Lease liabilities	207	-	73	-
Borrowings	-	543	-	-
	246	**46,880**	**112**	**35,456**

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.

20. Related party transactions (continued)

	2021		2020	
	Parent*	***Entities under common control***	***Parent****	***Entities under common control***
Sales				
Revenue from transaction processing services	-	8,544	-	10,217
Revenue from maintenance services	-	1,289	-	1,416
	-	**9,833**	**-**	**11,559**
Other operating income				
Income from sale of property and equipment	-	-	-	-
Other operating income	-	-	-	22
	-	**-**	**-**	**22**
Purchases and expenses				
Other operating expenses	435	555	332	509
	435	**555**	**332**	**509**
Other items				
Finance expense	4	41	7	52
	4	**41**	**7**	**52**

* *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 2021 and 2020, compensation of key management personnel totalled GEL 154 and GEL 94, respectively.

21. Events after the reporting date

On March 25th, 2022 company received loan from LLC Didi Digomi Research Center in the principal amount of KGEL 200 with annual interest rate of 13.20%;

On April 21, 2022 company received loan from JSC Express Technologies in the principal amount of KGEL 500 with annual interest rate of 13.20% and fully repaid it back on May 6th, 2022;

Company has renegotiated the fee for its principal activity (transactions through Self-Service Terminals' Network) and change it from flat rate of 0.13 GEL per transaction to the multidimentional fee rate that consists of: 0.13 GEL per transaction plus variable fee according to the volume of transaction amounts.

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

Company Management Reporting

Direct Debit Georgia

2021

April, 2022

Company Management Reporting

Introduction

Introduction from the Director

Passed two years 2020-2021 associated with many challenges and complications worldwide, yet the "Direct Debit Georgia" has been able to maintain stable continuous growth in terms of efficiency and quality.

In the conditions of the pandemic, our essential priority was to provide continuous payment services and to mobilize secure payment channels for the civil society.

The Management Report for the past year provides an overview of the company's main operations, fact - based achievements and development prospects. It also discusses the business risks that affect the company's operations.

We continue to improve the quality of our services and create better working conditions for our employees. Based on the indicators presented in the Report, we can confidently say that stability is one of the main foundations of our success; however, we are definitely planning significant and positive changes in future.

Business Overview

About us

The Company was established on March 7, 2006 as a Limited Liability Company. The company offers customers payment services through specialized cash registers, as well as a line of self-service terminals and its full technical support.

The 100% shareholder of the company is the Georgian Card JSC (hereinafter referred to as the "Parent Company"), and the ultimate controlling party since June, 2018 the Bank of Georgia Group PLC- UK based entity listed on London Stock Exchange.

The purpose of creating the company from the very beginning was to establish the latest standards of revolutionary solutions and information technologies in the Georgian payment system. Our services enable clients to take advantage of modern payment channels, reduce operating costs, refine risk management; in addition, with a customer-friendly approach, our advantage is the effective protection of clients' personal data and their property.

What we do

Multifunction self-service terminals

The company operates a network of up to 3,200 self-service terminals, ensures its technical operability and day-to-day maintenance, and places them in strategic and community-friendly locations.

Self-service terminals located almost anywhere in Georgia are tailored to the needs of modern people and allow you to access any type of service in the shortest possible time and with little effort. Payment services are provided through self-service terminals for the following categories and for many other service providers:

Business Overview (continued)

What we do (continued)

Multifunction self-service terminals (continued)

- Utility and cable TV providers;
- Mobile, telephone and internet operators;
- Taxes included in the state budget;
- Parking and transport tax;
- Banking services such as deposits, loans and other payments;
- Charitable donation;
- Tickets for movies and theater or other events;
- Top-up transport card with money;

and his is not a complete list; the updates of the multi-service system is quite frequent.

The “Direct Debit Georgia” Ltd enjoys the status of the winning company in the auction announced by the Public Service Hall in 2016, which intended the deployment of self-service terminals in the Public Service Halls throughout Georgia; from 2018, our cashier-operators serve customers in the "Economic Zone of Georgia". In addition, for many years we have been supporting the payment service of the City Hall / Municipality vehicle, which includes filling in the transport card account through self-service terminals.

The company also provides technical support to the JSC “Bank of Georgia’s” self-service terminal network.

Corporate clients

Since 2017 we offer the easy way of depositing of daily income to the bank account using self-service terminals to largest networks of petrol stations, such as Gulf Georgia, SOCAR Georgia Petroleum and Rompetrol.

Cashier-operators

The company has created a one-stop-shop service for quality and fast service, which involves the deployment of cashier-operators in the Public Service Halls, service development agencies and the Batumi Economic Zone.

One such project is receiving all types of payments for public services in the Public Registry. The mentioned project started in 2006 and continues successfully to this day.

From March 2011 to the present, payments for customs duties and other services in the Batumi International Container Terminal Ltd takes place through cash registers.

The “Direct Debit Georgia” Ltd creates efficient and secure payment channels through cash registers not only for state and public, but also for other commercial payments.

What we do (continued)

Short financial review

The Company is incorporated in the structure of PLC 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. The statement included the results for 2015-2018. In December 2018, the company changed its auditing service provider and the audit has since been conducted by the Nexia TA Ltd. Below is a brief financial information of the company for 2021-2020.

Statement of Financial Position	2021	2020
Total assets	58,190	49,737
Total equity	9,986	13,166
Total liabilities	48,204	36,571
Total equity and liabilities	58,190	49,737

Statement of Comprehensive Income	2021	2020
Total revenues	11,746	11,863
Total operating expenses	(14,906)	(13,618)
Operating profit/(loss)	**(3,160)**	**(1,755)**
Other financial items	(20)	(36)
Profit/(loss) before income tax expenses	**(3,180)**	**(1,791)**
Income tax benefit	-	-
Profit/(loss) and total comprehensive income/(loss) for the year	**(3,180)**	**(1,791)**

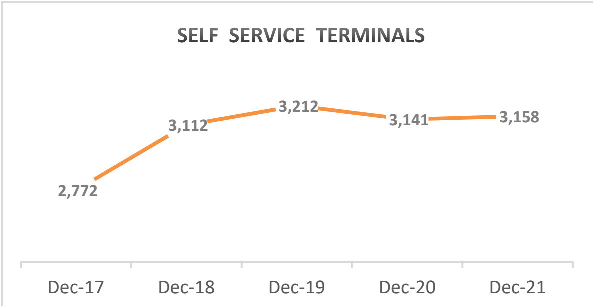
Future development plans

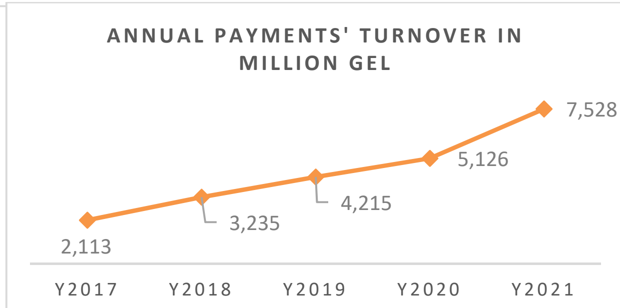
The company has been actively increasing the number of payment channels and service area since 2006. Every year our goal becomes more and more tangible, which means to provide all territorial units with services that are inseparable from daily life and guarantee comfort, safe and fast payment services for the majority of the population.

The number of payment channels has been growing steadily in recent years, in addition, the cash turnover increased 3 times over the last five years. Our goal is to maintain these indicators in the context of business development, while increasing quality and efficiency.

Business Overview (continued)

Future development plans (continued)





In parallel with maintaining the number of payment channels and the steady flow of funds, we consider it necessary to improve substantially the existing infrastructure. The relevance of self-service terminals as a device is directly related to its technical viability and wear speed. We strive to make the management of these components more efficient, economical and profitable.

To achieve this goal, more human resources are mobilized and suppliers and vendors are selected according to strict policies.

Risk factors

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

Liquidity risk means that a company will not be able to meet all its outstanding financial liabilities arising under normal or stressful circumstances. The management analyzes and manages the liquidity risk of the company.

As of December 31, 2021 and December 31, 2020, all financial liabilities of the Company were to be repaid within 3 months, while the undiscounted repayment obligations under the contract were equal to their carrying amount.

The company has always fulfilled its contractual obligations and has never faced a default. The company will continue to fulfill its contractual obligations in the future as well.

Pandemic and international crisis

The situation caused by the pandemic affects not only Georgia and specific businesses, but also many countries around the world. Numerous states have taken special measures and declared a state of emergency to combat the pandemic.

The impact of the pandemic and its ensuing crisis on the company is not alarming, since, despite the emergency situation, the continuity of payment services is an essential part of the normal functioning of the state. Accordingly, the company was a subject of the authorized economic activity during the full period of the state of emergency.

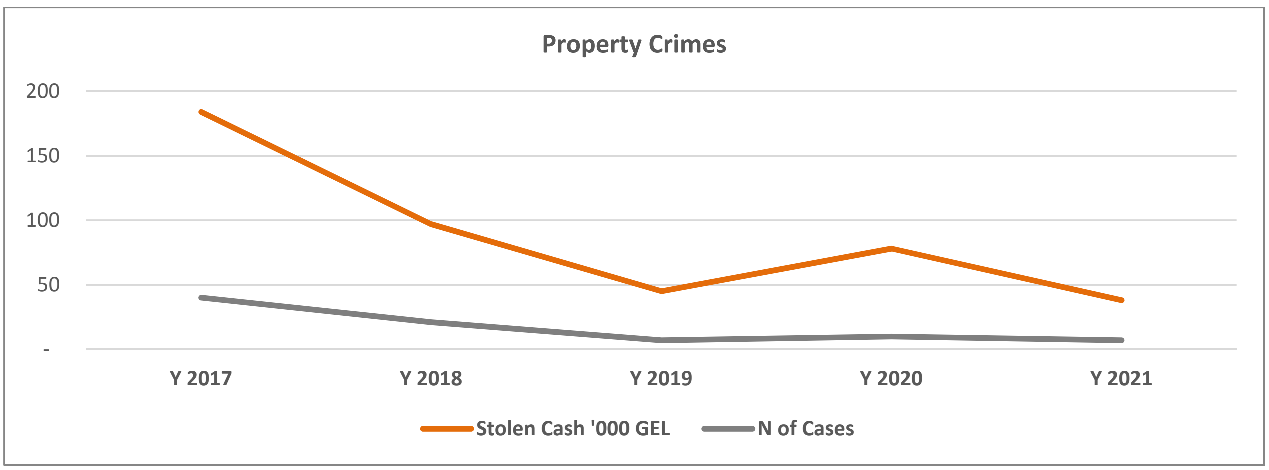
Business Overview (continued)

Property crimes

The company's self-service terminals cover many locations and through them thousands of transactions are completed during the day; at the end of the day there is a threat to terminals in which no funds have been collected. In recent years, the company has suffered financial losses from the robbery of such terminals, although the strengthening of the structural unit of the Internal Control and Security Service has made it possible to minimize such cases.

In many cases, the overall crime rates affect the security level of the company's property, although the company's operational units are actively working to prevent this, and in cases where crime cannot be prevented, the company seeks to facilitate the investigation through the cooperation with the law enforcement agencies.

Unfortunately, it is impossible to completely eliminate crime factor and associated risk factors in this regard, but it is necessary to note the declining trend observed in recent years in terms of robbery of self-service terminals.



Fraud prevention

With the development of information technology, the types of crime are becoming more diverse, property damage may arise as a result of fraud and unscrupulous behavior of consumers.

Information security

Increased cyber-attacks and phishing attempts pose a significant threat to all businesses in the 21st century. The priority target of the perpetrators is the financial sector, therefore the company does not forget about the expected attack attempts and sets the highest standards of information security throughout the company. Protection mechanisms include the latest and most well-known products that protect both the internal network from external influences and the leakage of sensitive information within the network. Appropriate software is used to monitor existing devices, which monitors every event that occurs on devices important to the company and on users' personal computers. However, in order to ensure information security, employee awareness trainings are often conducted; in addition, all employees are provided with strictly prescribed instructions on how to behave in any suspicious situation. It should be noted that despite recent large-scale cyber-attacks, the company has never been exposed to a malicious virus that could damage or leak company confidential information.

Combating money laundering and terrorism

The company strives to comply with international ethics standards and exclude any case of money laundering and terrorist financing.

The first prerequisite for cooperation with us is a thorough investigation into the activities, reputation and essential details of the partners. It is a priority not to admit the circulation of the proceeds of illegal activities, and in case of any doubt in this regard, we appeal to the competent authorities for instructions and adequate response.

The company considers all the requirements and recommendations of the National Bank of Georgia and the Financial Monitoring Service; we actively cooperate with them and try to contribute to the prevention of illegal income and the fight against terrorism. To date, no illegal cases have been identified in this regard that have been carried out with the support of our payment channels or our activities.

Changes in legal and regulation environment

The “Direct Debit Georgia” Ltd is a payment service provider registered with the National Bank of Georgia; at the same time, it is the payment service agent of JSC Bank of Georgia. Accordingly, it subjects to norms that specifically regulate payment systems and services.

There is a growing need to tighten regulations to protect payment service users across the region, not just the country, which, in many cases, directly complicates the operational activities for the providers.

Corporate Management Reporting

Organizational structure determines the distribution of responsibilities and powers in the organization. The structure of the company is aimed at simplifying business activities and increasing efficiency.

The need for development and adaptation to change necessitates periodic review of the structure. Structural adaptation makes it possible to optimize the number of staff, redistribute their functions more clearly, establish a clear hierarchy, improve control mechanisms, and maximize and simplify the decision-making process. The head of company is Director.

Short biography of the director

Mr. Dimitri Lomjaria was appointed to the position of the Director of the "Direct Debit Georgia" in 2020. He has 15 years of experience in the banking sector. In 2004-2019 he held various leading positions at the JSC Bank of Georgia.

He holds a bachelor's degree from the Ivane Javakhishvili Tbilisi State University in Finance and Banking. He also holds a Master of Business Administration of the Grenoble Business School.

Peculiarities of the structure

The structure of the company consists of subdivisions connected by horizontal and vertical lines, all of which are subordinated to the Director and / or the supervisory structural unit. These units are responsible for the operating activities of the company.

Procedural documentation is drawn up separately for each service, which is then divided into a description of the procedure specific to the functions and responsibilities assigned to each position. In the process of establishing and updating our structure, it is crucial to accurately separate the rights and responsibilities and to clearly highlight the procedural instructions in order to fully cover the work to be done, so that human or material resources can be used effectively.

Example of structural division

Internal audit

The main purpose of internal audit is to evaluate the implementation of policies and procedures, compliance with established standards, productive, efficient and economical use of resources, performance of tasks and achievement of company objectives, making recommendations to increase efficiency and reporting to management on risk management, control and management processes.

Company policies

In order to implement the principles of corporate governance established in accordance with international regulations and best practices, the company has developed policies that define the rules for the behavior of employees and adequate response to any violations. Particular important among the policies are:

Interests conflict management policy

The purpose of the policy is to establish rules for the identification, management and prevention of existing, potential and possible conflicts of interest, explain the issues related to the conflict of interest and assist employees in their prevention and adequate response. In particular:

- Identify situations where conflicts of interest may arise;
- Establish procedures, mechanisms and systems for detection, prevention and management of conflict of interest;
- Protect the interests of the company, its customers, employees, investors and suppliers by developing appropriate conflict eliminating measures;
- Ensure compliance with the regulations of the National Bank of Georgia.

Restrictions / prohibitions imposed for the prevention of conflict of interest:

- Activities outside the employer company;
- Relationships between subordinate employees;
- Attitudes towards gambling;
- Drug addiction;
- Personal transactions.

Personal data protection policy

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

Information classification and management policy

In order to improve preventive and detective control over the use of information resources, it is necessary to create an architectural information infrastructure that involves to classify information with a risk-based approach, identify relevant responsible persons, sort information and information resources according to the level of privacy, develop other rules of access and use.

According to this policy, information is divided into four categories of confidentiality, namely: "Public", "Internal Consumption", "Confidential" and "Top Secret". Information management is regulated according to these levels and includes rules for marking, moving, granting access, storing and destroying information.

Notice management policy

The purpose of the policy is to facilitate the establishment of an environment within the employer company where any non-compliance or irregularities will be promptly identified and prevented. The people employed in the company are the eyewitnesses to the irregularities around them. Under the policy, the employer company ensures the anonymity of the applicant, his/her application is considered with full responsibility and strict confidentiality.

Overview of the rights of shareholders and the general meeting of shareholders and the rules for their implementation

The 100% shareholder of the company is the JSC "Georgian Card", which in turn belongs to the JSC "Express Technologies"; the rights and obligations of the partners are regulated by the charter of the company, which is a publicly published document.

The meeting of partners is the highest governing body of the company; the partner is authorized to manage the company, both directly and through a representative.

The ordinary meeting of partners is held once a year, within two months after the end of the financial year. Additional details about the governing body are given in the company's charter.

Non-financial reporting

Our team

According to the data in 2021, the average number of employees in the company is 330 (2020 -286). Out of numerous candidates, the company makes a choice in favor of the most motivated and eager individuals. Human resources play an essential role in the successful management of the company, so we strive to create optimal conditions for effective work and career development. The basic pillar of an employee-centered approach is fairness, which the company strives to achieve through adequate remuneration, additional bonuses, and respect for diversification, which inevitably characterizes any broad circle of people.

The company shares and assumes its share of responsibility before the employees, but in return requires them to have a conscientious and reasonable attitude towards the case, which is clearly indicated in the company's labor regulations and code of ethics.

Health and safety in the workplace

The law sets minimum safety standards, the company seeks to adopt internationally recognized best practices and create a safe and healthy work environment for employees.

The company has fire-fighting infrastructure, staff are trained on how to respond to accidents, and how to respond quickly to natural disasters and emergencies.

A business continuity management policy has been developed and a key staff group has been identified to be responsible for crisis management.

Taking into account the new coronavirus (SARS-COV-2) declared as a pandemic on march 11, 2020 by the World Health Organization, the state of emergency related to its widespread distribution and the challenges, faced by the company, it was developed the emergence situation management plan related to the infection (COVID-19) caused by the new coronavirus (SARS-COV-2) (COVID-19); the plan aims to respond appropriately to the commitments set by the Government of Georgia.

The plan is based on the order of the Minister of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia on the Approval of Recommendations to Prevent the Spread of the New Coronavirus (COVID-19) in the Workplace, as well as the relevant recommendations of the World Health Organization.

The plan includes identifying the risks of infection with the new coronavirus and listing the measures that the company must take to eliminate these risks.

Maintaining a safe workplace environment is a major challenge as the COVID-19 virus spreads around the world, although the “Direct Debit Georgia” has been strictly adhering to the recommendations of the Georgian Ministry of Labor, Health and Social Affairs throughout the year, and many employees continue to work remotely.

Fight against corruption

Corruption and bribery are not allowed within the company, regardless of its amount and form of expression. The company strongly evaluates any action or transaction that may be perceived as having an unlawful impact on decisions made by the company.

To regulate this area, the company uses a comprehensive policy on the "Management of Conflict of Interests", and a specific structural unit exercises control to ensure that any employee and the actions taken by the company or in the company comply with this policy.

Persons responsible for preparing and submitting reports

The person in charge of managing the company - Director - is responsible for submitting financial and management reports.

Dimitri Lomjaria

Non-financial reporting (continued)

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