JSC OPPA

Consolidated financial statements and consolidated management report

for the year ended 31 December 2020
with independent auditor's report

Contents

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Independent auditor's report

To the Management and Shareholder of JSC OPPA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of JSC OPPA and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated 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 consolidated financial *statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Group's 2020 Management Report

Other information consists of the information included in Group's 2020 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon in our report on the audit of the consolidated financial statements.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Building a better working world

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with shareholders 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 in accordance with the requirements of Article 7, paragraph 10 of the Georgian Law on Accounting, Reporting and Auditing

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Consolidated Management report for the financial year for which the financial statements are prepared is consistent with the Consolidated financial statements; and
- The Consolidated Management report includes the information required by the Article 7 of the Georgian Law on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

Ana Kusrashvili

On behalf of EY LLC

31 March 2021

Tbilisi, Georgia

Consolidated statement of financial position

As at 31 December 2020

(Amounts expressed in thousands of Georgian Lari)

	Notes	*31 December 2020*	*31 December 2019*
Assets			
Current assets			
Cash and cash equivalents	7	13,242	10,214
Trade and other receivables	8	189	504
Inventory	9	2,293	2,942
Prepayments		1,364	1,082
Tax assets, net		59	–
Total current assets		**17,147**	**14,742**
Non-current assets			
Property, plant and equipment	5	9,245	7,415
Loans issued	22	10,500	3,851
Intangible assets	6	2,948	1,969
Total non-current assets		**22,693**	**13,235**
Total assets		**39,840**	**27,977**
Liabilities			
Current liabilities			
Trade and other payables	10	12,111	10,112
Advances received	11	3,152	2,990
Provisions for liabilities and charges		–	25
Tax payables, net		–	58
Interest-bearing loans	12	791	–
Lease liability	21	715	120
Total current liabilities		**16,769**	**13,305**
Non-current liabilities			
Lease liability	21	1,807	146
Interest-bearing loans	12	1,194	–
Total non-current liabilities		**3,001**	**146**
Total liabilities		**19,770**	**13,451**
Equity			
Share capital	13	3,616	3,616
Retained earnings		16,454	10,910
Total equity		**20,070**	**14,526**
Total equity and liabilities		**39,840**	**27,977**

The accompanying notes on pages 8 to 26 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

(Amounts expressed in thousands of Georgian Lari)

	Notes	2020	2019
Revenue	14	38,608	39,548
Service expenses	15	(25,137)	(26,207)
Labour costs	16	(6,198)	(5,857)
Materials expenses	9	(675)	(850)
Other expenses		(312)	(254)
Other income		361	149
Earnings before financial income/expenses, income taxes, depreciation and amortization		**6,647**	**6,529**
Depreciation and amortization	5, 6	(2,550)	(2,336)
Operating income		**4,097**	**4,193**
Finance income	17	1,734	449
Finance costs	17	(278)	(189)
Profit before income tax		**5,553**	**4,453**
Income tax expense		(9)	(689)
Net income for the year		**5,544**	**3,764**
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**5,544**	**3,764**

Approved for issue and signed on behalf of the Management on 31 March 2021:

Levan Kirvalidze
General Director

Ketevan Maisuradze
Head of Finance Division

The accompanying notes on pages 8 to 26 are an integral part of these consolidated financial statements.

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(Amounts expressed in thousands of Georgian Lari)

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Approved for issue and signed on behalf of the Management on 31 March 2021:

Levan Kirvalidze
General Director

Ketevan Maisuradze
Head of Finance Division

The accompanying notes on pages 8 to 26 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2020

(Amounts expressed in thousands of Georgian Lari)

	Share capital	*Retained earnings*	*Total equity*
Balance at 1 January 2019	**3,616**	**10,980**	**14,596**
Total comprehensive income for the year	−	3,764	**3,764**
Dividends declared (Note 13)	−	(3,834)	**(3,834)**
Balance at 31 December 2019	**3,616**	**10,910**	**14,526**
Total comprehensive income for the year	−	5,544	**5,544**
Balance at 31 December 2020	**3,616**	**16,454**	**20,070**

The accompanying notes on pages 8 to 26 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

(Amounts expressed in thousands of Georgian Lari)

	Notes	2020	2019
Cash flows from operating activities			
Profit before income tax		5,553	4,453
Adjustments for:			
Depreciation and amortization expense	5, 6	2,550	2,336
Finance income	17	(1,734)	(449)
Finance costs	17	278	189
Loss on disposal of property, plant and equipment		202	311
Net gain on disposal of right of use asset and lease liability		(5)	(39)
Allowance for expected credit losses and provisions		140	207
Operating cash flows before working capital changes		**6,984**	**7,008**
Change in inventories		(212)	(1,910)
Change in trade and other receivables		175	(191)
Change in other current assets		(341)	(260)
Change in trade and other payables		1,999	1,566
Change in other liabilities		79	456
Changes in working capital		**1,700**	**(339)**
Interest received		423	449
Interest paid		(262)	(48)
Income tax paid		(9)	(689)
Net cash from operating activities		**8,836**	**6,381**
Cash flows from investing activities			
Purchases of property, plant and equipment		(904)	(320)
Purchases of intangible assets		(1,236)	(585)
Loans issued		(4,803)	(3,923)
Net cash used in investing activities		**(6,943)**	**(4,828)**
Cash flows from financing activities			
Dividends paid	13	–	(3,834)
Proceeds from interest-bearing loans	21	2,103	–
Payment of principal portion of lease liabilities		(569)	(287)
Payment of principal portion of interest-bearing loans		(399)	–
Net cash from/(used in) financing activities		**1,135**	**(4,121)**
Effect of exchange rate changes on cash and cash equivalents		–	(18)
Net increase/(decrease) in cash and cash equivalents		**3,028**	**(2,586)**
Cash and cash equivalents at the beginning of the year		10,214	12,800
Cash and cash equivalents at the end of the year	7	**13,242**	**10,214**

Significant non-cash transactions:

- In 2020 inventory of GEL 861 was capitalized to property, plant and equipment (2019: GEL 935);
- In 2020 provision of impairment of GEL 827 was written off against gross trade and other receivables (2019: nil).

The accompanying notes on pages 8 to 26 are an integral part of these consolidated financial statements.

(Amounts expressed in thousands of Georgian Lari)

1. Corporate information

JSC OPPA (the "Company", formerly JSC Nova Technology) was registered on 19 March 2007 by Batumi Tax Inspection as a limited liability Company. On 17 January 2008, the Company was transformed to a joint stock Company. These consolidated financial statements consist of the consolidated financial information of the Company and its subsidiary (jointly referred to as the "Group"). As at 31 December 2020 and 2019 the Company's parent entity, owning 100% of shares, was Czech Energo-Pro A.S (the "Parent"). 100% of Czech Energo-Pro A.S. shares are owned by DK Holding Investments s.r.o. Mr. Jaromir Tesar owns 100% shares of DK Holding Investments s.r.o. and is an ultimate controlling party of the Group.

The Group owns instant payment terminals and provides payment services to customers through its own terminals, as well as through terminals owned by dealers, also internet-channels and Android and IOS applications. The Group operates a universal electronic wallet.

The Group consists of OPPA Commerce LLC, consolidated in these financial statements. The Group's ownership interest in the subsidiary was 100% as at 31 December 2020 and 2019. OPPA Commerce LLC was incorporated on 3 September 2018 and is domiciled in Georgia. OPPA Commerce LLC trades instant payment terminals and its component parts.

The Group's registered address is 15 Al. Kazbegi Ave., 0160 Tbilisi, Georgia.

These consolidated financial statements have not yet been approved by the shareholders. The shareholders meeting is usually held during the first half of the year subsequent to the reporting period. The shareholders have the power to amend the consolidated financial statements after issue.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis.

These consolidated financial statements are presented in thousands of Georgian Lari (GEL) and all values are rounded to the nearest thousand, unless otherwise indicated.

3. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in 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 normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement

Depending on their classification financial instruments are carried at fair value or amortized cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Fair value measurement (continued)

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

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.

Financial assets

Initial recognition and subsequent measurement

Financial assets in the scope of IFRS 9 are classified at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (“FVPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For purposes of subsequent measurement, financial assets of the Group are classified as financial assets at amortized cost, which include loans issued, trade and other receivables and cash at bank. The Group does not have any financial assets measured at either FVOCI or FVPL. The Group’s financial assets are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group measures financial assets at amortized 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 (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The assessment of the Group’s business model was made as of the date of initial application of IFRS 9, 1 January 2018. All financial instruments and operations performed by the Group are pointed to collect contractual cash flows from service providers and dealers. This is a main objective and a regular activity for the Group. Historically, the Group has never sold its financial instruments. Based on the past experience all financial assets are held in order to collect contractual cash flows and are classified into first business model − Held to collect (H2C).

The Group’s cash flows from trade and other receivables pass the SPPI test, as these financial assets are non-interest bearing and there is de minimis exposure to risks or volatility in contractual cash flows. Issued loans also pass the SPPI test, since interest rates on issued loans are fixed and cash flows are received from solely payments of principal and interests.

All financial assets that the Group owns at 31 December 2020 and 2019 are measured at amortized cost and include trade and other receivables, loans issued and cash and cash equivalents.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and trade payables, carried at amortized cost. This includes directly attributable transaction costs.

All financial liabilities of the Group at 31 December 2020 and 2019 are classified as loans and borrowings and include as trade and other payables and interest-bearing loans .

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method ("EIR"). Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included in finance costs in profit or loss.

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.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on current accounts in national currency and cash on current accounts in foreign currency, which are subject to an insignificant risk of changes in value. Also, cash and cash equivalents include cash on hand, cash in network and cash in transit. Cash on hand represents cash that is collected from terminals and is counted. Cash in network is the cash that is in instant payment terminals.

Impairment of financial assets carried at amortized cost

The Group recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For credit exposures, except for trade receivables, 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). The Group provides 12-months ECLs for cash in bank balances and loans issued. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For loans issued and trade and other receivables 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 considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses are always recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows discounted at the original effective interest rate of the asset.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Refer to Note 4 for further details on assessment and judgement applied in respect with impairment and write-off of trade receivables.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, if any. Cost comprises of construction cost or purchase price, including import duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the construction cost or purchase price.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is retired.

At each reporting date the management assess whether there is any indication of impairment of property, plant and equipment. If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss for the year within other income or other expenses.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	20
Payment terminals and parts	5-10
Office equipment	5-10
Vehicles	5-10
Other fixed assets	5-10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted respectively, if appropriate.

Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

Intangible assets

Intangible assets, that are acquired or developed by the Group and that have finite useful lives, are stated at cost less accumulated amortization and impairment losses. The Group holds operating software and licenses, which are amortized on the straight-line basis over their estimated useful lives:

	Useful lives in years
Licenses	2-10
Operating software	2-10

Research costs are expensed as incurred. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred before the date when the intangible asset first was available for use or sale.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded under depreciation and amortization charge. During the period of development, the asset is tested for impairment annually.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Leases

The Group 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 asset for a period of time in exchange for consideration.

Group as a lessee

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

Rights-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets and is presented under the Group's property, plant and equipment balance.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group also has certain leases of vehicles and equipment with lease terms of 12 months or less and the actual value of what is considered to be low-value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost of inventory is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Taxation

Income tax

The annual profit earned by entities other than banks, insurance companies and microfinance organizations is not taxed in Georgia starting from 1 January 2017. Corporate income tax is paid on dividends is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia. Withholding tax payable in respect of dividend distribution to the shareholders of the Group is recognized 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 as Other taxes within Other operating expenses in income statement.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of VAT asset or liability in the statement of financial position.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Taxation (continued)

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss for the year.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorized for issue are disclosed in the subsequent events note.

Revenue recognition

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 Group expects to be entitled in exchange for those goods or services. Revenue is recognized net of value added tax. Revenues are measured at the fair value of the consideration received or receivable.

The Group recognizes performance obligation for all the following offerings at a point in time, because there is only one performance obligation for each offering:

- Revenue from commission is recognized immediately and calculated according to pricelists determined with service providers.
- Terminal sales is recognized based on sales of terminals and its spare parts and calculated according to agreed tariffs with contractors. The revenue from sales is recognized at a point of time when the control over the goods is transferred to the customer.
- Interest income is recognized on a time-proportion basis using the effective interest method and is included in finance income.

Advertising income

Advertising income is recognized according to agreed fixed tariffs with contractors. The performance obligations under such contracts are satisfied over time and the revenue is recognized during the service period (one year) on monthly basis upon issuance of monthly invoices.

Principal versus agent considerations

The Group is a principal (and, therefore, records revenue on a gross basis) if it controls a promised good or service before transferring that good or service to the customer. The Group is an agent (and, therefore, records as revenue the net amount that it retains for its agency services) if its role is to arrange for another entity to provide the goods or services. The Group concluded that it acts as a principal in relation to the goods and services described above as it controls the specified goods and services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of significant accounting policies (continued)

Earnings before financial income/expenses, income taxes, depreciation and amortization ("EBITDA")

The Group separately presents EBITDA on the face of consolidated statement of profit or loss and other comprehensive income. EBITDA is not defined in IFRS and is defined by the Group as earnings before interest, taxes, depreciation and amortization, and is derived as the Group's profit before income tax expense but excluding the following line items: depreciation and amortization, finance income and finance costs.

Functional currencies and foreign currency translation

The Group's consolidated financial statements are presented in Georgian Lari, which is also the Group's functional currency. The Group determines the functional currency and items included in the consolidated financial statements are measured using that functional currency.

Standards issued but not yet effective

Up to the date of approval of the consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted. Standards issued but not yet effective are:

- IFRS 17: *Insurance Contracts*;
- Amendments to IAS 1: *Classification f Liabilities as Current and Non-current*;
- Amendments to IFRS 3: *Definition of a Business*;
- Amendments to IAS 16: *Property, Plant and Equipment*;
- Amendments to IAS 37: *Onerous contracts*;
- Amendments to IFRS 1: *First-time Adoption of International Financial Reporting Standards*;
- Amendments to IFRS 9: *Financial Instruments*;
- Amendments to IAS 41: *Agriculture*.

These new standards are not expected to have material impact on the Group's consolidated financial statements.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that effect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.

Initial recognition of related party transactions

In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market prices, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties.

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(Amounts expressed in thousands of Georgian Lari)

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

(b) Estimates and assumptions (continued)

Useful lives of property and equipment

The Group has used judgment in determination of useful lives of property, plant and equipment, considering such factors as technical or commercial obsolesce, expected usage of the assets by reference to the assets' expected capacity of physical output and expected wear and tear, which depends on operational factors. Although the management has made his best estimate in determining the pattern of consumption of the future economic benefits embodied in the asset, they may substantially differ from actual results that may materially influence the figures presented in the consolidated financial statements.

Impairment of trade and other receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is in default. The Group recognizes a loss allowance based on lifetime ECLs at each reporting date.

The management of the Group estimated ECL allowance as at 31 December 2020 of GEL 61 (2019: GEL 748) as the best estimate of possible allowance of trade and other receivables (Note 8).

5. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	Land and buildings	*Office equipment*	*Payment terminals and parts (a)*	*Vehicles*	*Other fixed assets*	*Right-of-use assets (b)*	*Total*
Cost							
31 December 2018	**3**	**777**	**13,303**	**271**	**311**	**–**	**14,665**
Additions	–	193	1,010	27	25	899	**2,154**
Disposals	(1)	(134)	(1,329)	(5)	(89)	(547)	**(2,105)**
31 December 2019	**2**	**836**	**12,984**	**293**	**247**	**352**	**14,714**
Additions	–	442	1,318	–	5	2,616	**4,381**
Disposals	–	(259)	(593)	(7)	(47)	(87)	**(993)**
31 December 2020	**2**	**1,019**	**13,709**	**286**	**205**	**2,881**	**18,102**
Accumulated depreciation							
31 December 2018	**–**	**363**	**6,148**	**59**	**135**	**–**	**6,705**
Depreciation charge	1	136	1,490	54	54	295	**2,030**
Disposals	(1)	(131)	(1,031)	(3)	(81)	(189)	**(1,436)**
31 December 2019	**–**	**368**	**6,607**	**110**	**108**	**106**	**7,299**
Depreciation charge	–	222	1,407	48	23	593	**2,293**
Disposals	–	(171)	(499)	(6)	(28)	(31)	**(735)**
31 December 2020	**–**	**419**	**7,515**	**152**	**103**	**668**	**8,857**
Net book value							
31 December 2018	**3**	**414**	**7,155**	**212**	**176**	**–**	**7,960**
31 December 2019	**2**	**468**	**6,377**	**183**	**139**	**246**	**7,415**
31 December 2020	**2**	**600**	**6,194**	**134**	**102**	**2,213**	**9,245**

(a) As at 31 December 2020 the Group's payment terminals, with the value of GEL 2,125 is pledged as a collateral against loan obtained from VTB Bank (Note 12).

(b) The Group's lease contracts in the scope of IFRS 16 consist of only commercial spaces (buildings). The movements on right-of-use assets during the year are presented under property, plant and equipment and maturity analysis of respective lease liabilities is disclosed in Note 19.

(Amounts expressed in thousands of Georgian Lari)

6. Intangible assets

Movements in the carrying amount of intangible assets were as follows:

	Licenses	*Operating software*	*Work in progress*	*Total*
Cost				
31 December 2018	**1,081**	**471**	**435**	**1,987**
Additions	31	42	512	**585**
Disposals	(13)	–	–	**(13)**
31 December 2019	**1,099**	**513**	**947**	**2,559**
Additions	665	1	570	**1,236**
Transfers	52	587	(639)	**–**
Disposals	(91)	(1)	–	**(92)**
31 December 2020	**1,725**	**1,100**	**878**	**3,703**
Accumulated amortization				
31 December 2018	**184**	**113**	**–**	**297**
Amortization charge	260	46	–	**306**
Disposals	(13)	–	–	**(13)**
31 December 2019	**431**	**159**	**–**	**590**
Amortization charge	167	90	–	**257**
Disposals	(91)	(1)	–	**(92)**
31 December 2020	**507**	**248**	**–**	**755**
Net book value				
31 December 2018	**897**	**358**	**435**	**1,690**
31 December 2019	**668**	**354**	**947**	**1,969**
31 December 2020	**1,218**	**852**	**878**	**2,948**

Included in additions is GEL 570 of work in progress related to internally developed operating software. During 2020 GEL 639 of completed internally developed software was transferred to operating software (2019: nil).

7. Cash and cash equivalents

	31 December 2020	*31 December 2019*
Cash on hand	1	18
Cash in banks	9,572	7,389
Cash in transit	1,515	1,053
Cash in network	2,154	1,754
Cash and cash equivalents	**13,242**	**10,214**

Cash in bank includes the bank account, designated only for day-to-day operations and for settlement of the payables to service providers, according to the requirements of the National Bank of Georgia. As at 31 December 2020 the balance of such bank account amounted GEL 3,797 (2019: GEL 3,629). This bank account is restricted from paying dividends and is maintained to settle obligations towards service providers.

Cash in banks earn interest based on agreed bank interest rates. Finance income on current accounts in 2020 comprised GEL 423 (2019: GEL 435).

8. Trade and other receivables

	31 December 2020	*31 December 2019*
Trade receivables	219	536
Other receivables	31	716
	250	**1,252**
Less: allowance for expected credit losses	(61)	(748)
Total trade and other receivables	**189**	**504**

The Group has recognized a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

(Amounts expressed in thousands of Georgian Lari)

8. Trade and other receivables (continued)

The Group writes off a trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the rollforward of impairment provision for trade and other receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

Movements in the impairment provision for trade and other receivables are as follows:

	2020	*2019*
Provision for impairment at 1 January	**(748)**	**(566)**
Impairment charge	(140)	(182)
Amounts written-off	827	–
Provision for impairment at 31 December	**(61)**	**(748)**

Aging analysis of trade and other receivables as at 31 December 2020 and 2019 is as follows:

31 December 2020	*Not past due*	*Less than 30 days overdue*	*30 to 90 days overdue*	*91 to 180 days overdue*	*Over 180 days overdue*	*Total*
Estimated total gross carrying amount at default	180	8	3	2	57	**250**
Lifetime ECL	**(2)**	**–**	**–**	**(2)**	**(57)**	**(61)**

31 December 2019	*Not past due*	*Less than 30 days overdue*	*30 to 90 days overdue*	*91 to 180 days overdue*	*Over 180 days overdue*	*Total*
Estimated total gross carrying amount at default	395	109	36	40	672	**1,252**
Lifetime ECL	**(7)**	**(7)**	**(22)**	**(40)**	**(672)**	**(748)**

9. Inventory

	31 December 2020	*31 December 2019*
Spare parts	2,261	2,905
Fuel	32	37
Total inventory	**2,293**	**2,942**

Spare parts represent parts of instant payment terminals for own consumption and for sale. The cost of inventories recognized as a materials expense in the consolidated statement of profit or loss and other comprehensive income for the year was GEL 675 in 2020 (2019: GEL 850).

10. Trade and other payables

	31 December 2020	*31 December 2019*
Payables to service providers	9,661	7,659
Commission payable to dealers	1,767	1,827
Salaries payable	526	526
Other payables	157	100
Total trade and other payables	**12,111**	**10,112**

(Amounts expressed in thousands of Georgian Lari)

11. Contract assets and liabilities

The Group has recognized GEL 38,608 revenue from contracts with customers in 2020 (2019: GEL 39,548). The disaggregation of revenue from contracts with customers by types is presented in Note 14.

Contract balances

The Group has recognized the following revenue-related contract balances:

	31 December 2020	*31 December 2019*
Trade receivables		
Receivables included in trade and other receivables	189	488
Total	**189**	**488**
Contract liabilities		
Advances received	3,152	2,990
Total	**3,152**	**2,990**

The contract liabilities represent advances received from dealers.

The Group has recognized GEL 2,990 revenue in 2020 that relates to carried-forward contract liabilities (2019: GEL 2,592).

Change in advances received was mostly caused by completion of services provided in 2020 and new advanced received during 2020. It is expected that all the advances received as at 31 December 2020 will be recognized as revenue in 2021.

12. Interest-bearing loans

	31 December 2020	*31 December 2019*
Current portion of interest-bearing loans	791	–
Non-current portion of interest-bearing loans	1,194	–
Total	**1,985**	**–**

On 4 May 2020, the Group obtained GEL 2,103 (EUR 600 thousand) loan from VTB bank. The loan bears fixed interest rate of 6% and matures on 4 May 2023. Finance cost on interest-bearing loans in 2020 comprised GEL 87 (2019: nil).

The loan from VTB Bank has a number of affirmative and negative covenants, from which a few were breached by the Group as at 31 December 2020, however the waiver was provided by the Bank waiving the right to request payment of loan principle or accrued interest due to these breaches on 31 December 2020. The Group is still in breach of these covenants as of the date of issuance of these consolidated financial statements. The Group's management is in the process of negotiating the terms of the loan agreement to remove or amend the covenants so that the breach is remedied in the subsequent period. As of the date of these consolidated financial statements the amendment to loan agreement has not yet been signed (Note 23).

13. Equity

At 31 December 2020 and 2019 the Group had 361,594,500 authorized, issued and paid in shares, each with a nominal value of GEL 0.00001.

In 2020 the Group did not declare any dividends (2019: dividends in amount of GEL 3,834 declared and paid to the shareholder).

The Group does not have externally imposed capital restrictions. The Group does not have formal capital management policies and its general objective is to maintain a strong balance sheet position.

(Amounts expressed in thousands of Georgian Lari)

14. Revenue

	2020	2019
Commission income	37,027	37,161
Sale of terminals and parts	884	1,125
Advertising income	242	903
Other services rendered	455	359
Total revenue	**38,608**	**39,548**

Main revenue of the Group represents a fee from transacting and collecting payments through instant payment networks for different providers of services and/or goods. Commission income can be disaggregated as follows:

	2020	2019
Income from terminals owned by dealers	23,535	23,824
Income from terminals owned by the Group	13,395	13,103
Income from E-wallet transactions	97	234
Total commission income	**37,027**	**37,161**

15. Service expenses

	2020	2019
Commission to dealers	(19,403)	(19,494)
Rent	(1,577)	(1,720)
Network technical service and collection	(1,395)	(1,808)
Office administration	(1,238)	(1,338)
Commission to providers	(807)	(827)
Professional services	(419)	(389)
Taxes other than on income	(155)	(247)
Marketing expenses and product development	(143)	(384)
Total service expenses	**(25,137)**	**(26,207)**

Significant part of service expenses of the Group comprises of expenses associated with dealer commissions which is paid to dealers network.

16. Labour costs

	2020	2019
Salary	(5,741)	(5,357)
Bonuses	(457)	(500)
Total labour costs	**(6,198)**	**(5,857)**

17. Finance income and finance cost

	2020	2019
Interest expense on financial liabilities measured at amortized cost (Note 21)	(87)	–
Interest expense for lease liability (Note 21)	(191)	(48)
Net foreign exchange loss	–	(141)
Total finance costs	**(278)**	**(189)**
Interest income on bank accounts (Note 7)	423	435
Interest income on loans to entity under common control (Note 22)	384	14
Net foreign exchange gain	927	–
Total finance income	**1,734**	**449**

Foreign exchange gains and losses are mainly caused by the revaluation of assets and liabilities of the Group denominated in EUR and USD. For more details on the foreign currency risk please refer to Note 19.

(Amounts expressed in thousands of Georgian Lari)

18. Contingencies, commitments and operating risks

Operating environment

Emerging markets such as Georgia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Georgia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

For the last couple of years Georgia has experienced a number of legislative changes, which have been largely related to harmonization of Georgia's legislative framework with that of the European Union, pursuant to a joint Eastern Partnership policy initiative. Whilst the legislative changes implemented during 2020 and 2019 paved the way, more changes can be expected in the future.

19. Financial risk management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's management oversees the management of these risks.

(a) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk it undertakes by setting limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Such risks are monitored on a continuous basis and are subject to an annual or more frequent review.

As at 31 December 2020 and 2019, the Group has no other significant financial assets subject to credit risk except for:

- ► Cash and cash equivalents (Note 7);
- ► Trade and other receivables (Note 8);
- ► Loans issued (Note 22).

The credit quality of all financial assets is constantly monitored in order to identify any potential adverse changes in the credit quality. In respect of trade and other receivables and loans issued, the management monitors credit quality based on days past due information. ECLs for loans issued is measured on individual basis as the total balance is with an entity under common control. The Group estimates that these amounts are fully recoverable and did not create ECL for these exposures. As at 31 December 2020 and 2019, carrying values of financial instruments best represent their maximum exposure to the credit risk.

The Group has no significant concentration of credit risk since the customer portfolio is diversified across a wide number of customers.

(b) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in foreign currencies and interest bearing assets and liabilities, all of which are exposed to general and specific market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated − for example, changes in interest rate and changes in foreign currency rates.

(c) Currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is trying to mitigate such risk by managing monetary assets and liabilities in foreign currency on Group level.

(Amounts expressed in thousands of Georgian Lari)

19. Financial risk management (continued)

(c) Currency risk (continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2020			*At 31 December 2019*		
	Monetary financial assets	***Monetary financial liabilities***	***Net balance sheet position***	***Monetary financial assets***	***Monetary financial liabilities***	***Net balance sheet position***
GEL	13,375	(11,843)	**1,532**	10,597	(9,956)	**641**
USD	36	(2,790)	**(2,754)**	82	(377)	**(295)**
EUR	10,520	(1,985)	**8,535**	3,890	(70)	**3,820**
Total	**23,931**	**(16,618)**	**7,313**	**14,569**	**(10,403)**	**4,166**

The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	At 31 December 2020	***At 31 December 2019***
	Impact on profit or loss	***Impact on profit or loss***
US Dollar strengthening by 20%	(551)	(59)
US Dollar weakening by 20%	551	59
EUR strengthening by 20%	1,707	764
EUR weakening by 20%	(1,707)	(764)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

(d) Interest rate risk

The Group takes no exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows as its financial assets and liabilities are at fixed rates.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Management monitors monthly rolling forecasts of the Group's cash flows.

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2020 and 2019 is as follows:

	Less than 1 year	***1-3 years***	***Total***
As at 31 December 2020			
Trade and other payables (Note 10)	12,111	–	**12,111**
Lease liabilities	910	2,029	**2,939**
Interest-bearing loans (Note 12)	883	1,249	**2,132**
Total future payments	**13,904**	**3,278**	**17,182**
As at 31 December 2019			
Trade and other payables (Note 10)	10,112	–	**10,112**
Lease liabilities	120	146	**266**
Total future payments	**10,232**	**146**	**10,378**

(Amounts expressed in thousands of Georgian Lari)

20. Fair value of financial instruments

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, than measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analyzed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

		31 December 2020		*31 December 2019*	
	Level	*Carrying value*	*Fair value*	*Carrying value*	*Fair value*
Financial assets					
Loans issued (Note 22)	Level 3	10,500	10,544	3,851	3,851
Trade and other receivables (Note 8)	Level 3	189	189	504	504
Cash and cash equivalents (Note 7)	Level 1	13,242	13,242	10,214	10,214
Financial liabilities					
Lease liabilities (Note 21)	Level 3	2,522	2,522	266	266
Trade and other payables (Note 10)	Level 3	12,111	12,111	10,112	10,112
Interest-bearing loans (Note 12)	Level 3	1,985	1,993	–	–

The following methods and assumptions were used to estimate the fair values:

- The fair values of cash and cash equivalents, trade and other payables and trade and other receivables are approximated by their carrying amounts due to the short-term maturities of these instruments;
- The fair value of loans issued, interest-bearing loans and lease liabilities is estimated by discounting future cash flows using the prevailing market rates at the reporting dates.

21. Changes in liabilities arising from financing activities

	1 January 2020	*New contracts*	*Termination of contracts*	*Cash flows*	*Finance cost*	*Foreign exchange movement*	*31 December 2020*
Interest-bearing loans	–	2,103	–	(470)	87	265	1,985
Lease liabilities	266	2,616	(61)	(760)	191	270	2,522

	1 January 2020	*New contracts*	*Termination of contracts*	*Cash flows*	*Finance cost*	*Foreign exchange movement*	*31 December 2020*
Lease liabilities	775	124	(397)	(325)	48	41	266

22. Balances and transactions with related parties

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. 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 disclosed below have been conducted on an arm's-length basis.

(Amounts expressed in thousands of Georgian Lari)

22. Balances and transactions with related parties (continued)

At 31 December 2020 and 2019, the outstanding balances with related parties were as follows:

	31 December 2020	***31 December 2019***
	Entities under common control	***Entities under common control***
Loans issued	10,500	3,851
Trade and other payables	(823)	(215)
Finance income	384	14
Services received	(114)	(114)

On 15 April 2020 and 27 November 2020, OPPA JSC issued loans to an entity under common control in amount of GEL 2,435 (EUR 700) and GEL 2,368 (EUR 600) respectively. These loans are maturing on 30 November 2023.

On 9 December 2019, OPPA JSC issued loan to an entity under common control in amount of GEL 3,923 (EUR 1,200). This loan is maturing on 9 December 2022.
None of the loans issued are impaired or past due. The Group recognized finance income on the loans of GEL 384 in 2020 (2019: GEL 14).

Key management compensation is presented below:

	2020	***2019***
Short-term benefits		
Salaries	(1,265)	(1,115)
Bonuses	(200)	(166)
Total	**1,465**	**1,281**

23. Events after the reporting date

On 12 February 2021 OPPA JSC issued a loan to an entity under common control in amount of GEL 2,388 (EUR 600 thousand). The loan is maturing on 30 September 2020 and bears interest rate of 6%.

After the reporting date, the Group is still in breach of VTB Bank loan covenants (Note 12). The Group's management is in the process of negotiating the terms of the loan agreement to remove or amend the covenants so that the breach is remedied in the subsequent period. As of the date of these consolidated financial statements the amendment to loan agreement has not yet been signed.

(Amounts expressed in thousands of Georgian Lari)

Consolidated management report

About the Group

JSC OPPA (formerly JSC “Nova Technology”, ID: 248429598) provides payment services to about 363,000 customers at Georgia’s financial technology market, both, through instant payment terminals, as well as through the Android and iOS web-based payment channel.

Established in 2007 under the name JSC “NOVA TECHNOLOGY”, the group initially offered its customers POS-terminals, Payline-s, having installed first fast transaction self-service machines in Tbilisi. Later, the group created the PayBox brand, it manufactured fast transaction self-service machines in Georgia and started expanding the network. At the same time, it opened the first representative office, gradually covering all regions of the country. Besides, the group was engaged in sales of instant payment terminals and the parts thereof both, in the country and beyond its borders. The Group also developed www.paybox.ge website, through which payment services were transferred to a web-platform, offering customers a simplified and flexible service in the online space. Given the success of the www.paybox.ge online platform, the Group developed a new payment system for mobile phones in the form of iOS and Android apps.

In 2018, the group carried out a rebranding. It moved into a new stage and introduced a new brand to the market − a universal e-wallet. OPPA allows customers to make practical use of financial services in a secure area and easily manage their money without any mind-boggling operations and convoluted bureaucracy.

At present, JSC OPPA is represented in Georgia by up to 8,000 payment points, including up to 2,500 points located within the group’s network, while the rest 5,500 are run by the dealer network. The group has about 300 employees. There are representative offices operating in various regions across Georgia, where group’s services are available to customers.

OPPA e-wallet, the first digital wallet on Georgia’s market, as well as PayBox instant payment terminals brand and self-service terminals are owned by JSC OPPA.

The Group is a holding parent Company of OPPA Commerce LLC (the “Subsidiary”). The Group together with its subsidiary makes up a group of companies (the “Group”).

Scope of activity and offered services

Apart from the state services and legal norms regulating business activity in the country, the activity of the Group as a provider of payment services is also regulated by the National Bank of Georgia. The Group is also accountable to the Financial Monitoring Service.

As part of the payment activity, the Group is cooperating with money recipients, dealer and consumers. The Group offers money recipients to get involved in the system and receive payments for their own benefit.

In the Group payment system: PayBox fast transaction self-service machines; www.oppa.ge − universal e-wallet and iOS and Android mobile apps allow the customers to make payments for the categories as follows:

- Mobile and Telecommunication;
- Utilities;
- Bookmakers and Online Games;
- Finances and Remittances;
- Transport;
- Parcels etc.

It is noteworthy that the payment system is continuously updated and some new services and categories are added, making the Group’s payment services more multi-functional and easy-to-use. In addition, to support and simplify the e-wallet payments, the Group has offered its customers the following service:

- Card to card transfers;
- Template payments: favorites, automatic payments, SMS-payments;
- Money boxes;
- Payments with linked plastic card;
- Payment history export options.

(Amounts expressed in thousands of Georgian Lari)

Since the day of its foundation and up until 2019, the Group has developed its activity in various directions. On 4 September 2018, the Group established a subsidiary OPPA Commerce LLC for the purpose of specialization and better management of the sales field. The primary activities of the Subsidiary are:

- Purchase/sale/repair/assembling of instant payment terminals, Paylines and other parts of digital equipment. The Subsidiary is carrying out the aforesaid activity in the country and abroad;
- Technical maintenance/transportation of instant payment terminals and Paylines.

Regional representative offices

The Group's regional representative offices have been existing since 2018, ensuring smooth and timely operation of the Group's instant payment terminals, as well as unhampered service by the dealer network's instant payment terminals, Paylines and web-terminals. The regional representative offices are in charge of finding locations for installation of the instant payment terminals, their technical maintenance and accumulation of the amounts paid by customers through the instant payment terminals.

Upon organizations' requests, the regional representative offices also provide full technical service for the Group's branded instant payment terminals and ensure accumulation of funds, where necessary.

In the regions, the Group may be represented through the Group's own, as well as the dealer network's instant payment terminals, the proper technical functioning of which is ensured by the regional representative offices. Tbilisi regional representative office has been divided into 4 zones, as the large scope of capital didn't allow to be controlled enough.

At the end of 2020, the regional representative offices provided services through up to 2,500 instant payment terminals available in the Group's network, according to the regional distribution given below:

- Ajara regional representative office;
- Tbilisi regional representative office, represented with four zones;
- Imereti regional representative office;
- Kakheti regional representative office;
- Mtskheta-Kaspi regional representative office − under the jurisdiction of Tbilisi regional representative office;
- Shida Kartli regional office, represented by three offices;
- Samegrelo regional office, represented by three offices;
- Samtredia regional representative office;
- Kvemo Kartli regional representative office.

Dealer network

The Group provides services to customers through its own instant payment terminals network, as well as via the dealer network. Within the dealer network, the Group provides Individual entrepreneurs and legal entities with instant payment terminals and relevant software based on a contract formalized with the Group.

The following services are offered to the dealers across Georgia:

- Technical support for instant payment terminals;
- Cash collection service;
- Repair and maintenance of instant payment terminals, POS-terminals and the spare parts thereof;
- Sale of instant payment terminals and Payline parts;
- The customer service uses new quantitative and qualitative reporting system categorizing every single incoming call and rating the quality of service provided in order to analyse the entire problem-solving process and draw important conclusions for betterment.

Review of researches and activities in the development sphere

In 2020, due to the global phenomenon of pandemic economy, R&D practices became less of a priority for the Group. All available resources were directed to ensure that continuity of operational activities stayed intact. Even with limited labour recourses on hand, software has undergone major changes to accommodate customer identification practice-new operating principle requested by the NBG, that ensures customers are identified as eligible to use the service. Starting from February 2021, the Group has fully complied with NBG requirements in this respect.

(Amounts expressed in thousands of Georgian Lari)

Future plans

In 2021 the Group plans to renew the terminal network and start new branding campaign to position itself once again as a competitive industrial leader. Group will evaluate its success during pandemic year and rely on the gained experiences to rebuild its image.

In 2021 the Group is planning to experiment with AI technology in order to improve data analysis process across the departments.

Review of the Group's financial and non-financial indicators

In 2020, the revenue of the Group has decreased by 2.38% as compared to 2019 and totaled GEL 38.61 mln. (see Chart 1). Effect of pandemic was minimal.

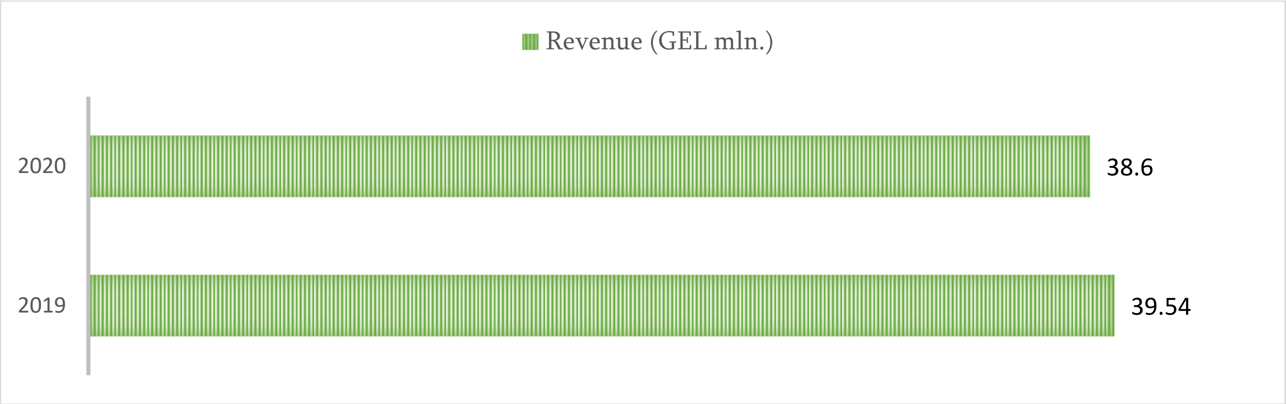
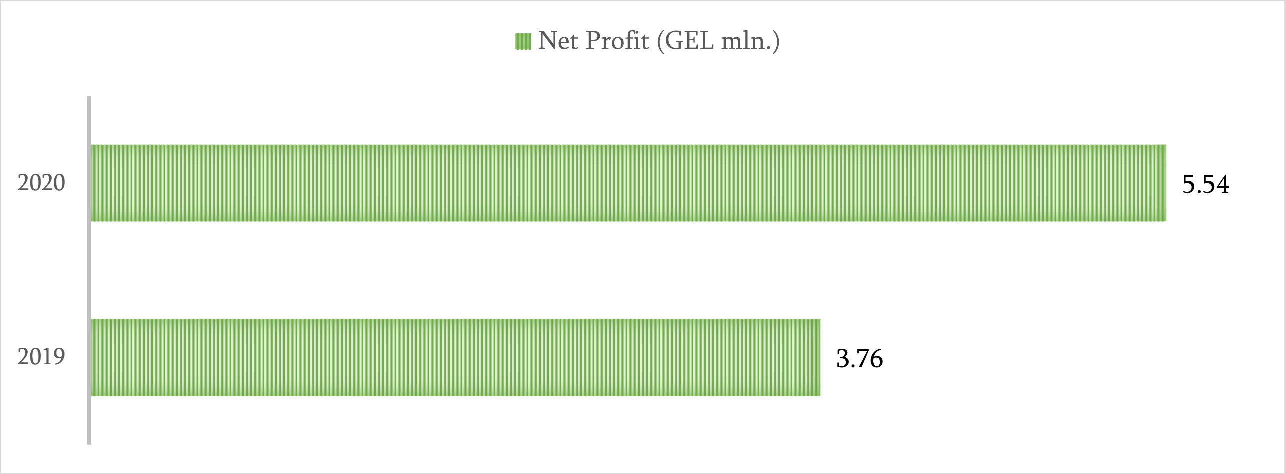


Chart 1. Change in the volume of the Group's revenue in 2019-2020 (GEL mln.)

The group's net profit has increased by 47% in 2020. Fluctuating exchange rates of 2020 was a beneficial factor alongside with operational success.



Charts 2. Change in the volume of the Group's net profit in 2019-2020 (GEL mln.)

(Amounts expressed in thousands of Georgian Lari)

In 2020, the average daily transaction volume was 276,712, which is by 11% less as compared to the average daily transaction volume in 2019 (313,295) (see Chart 3).

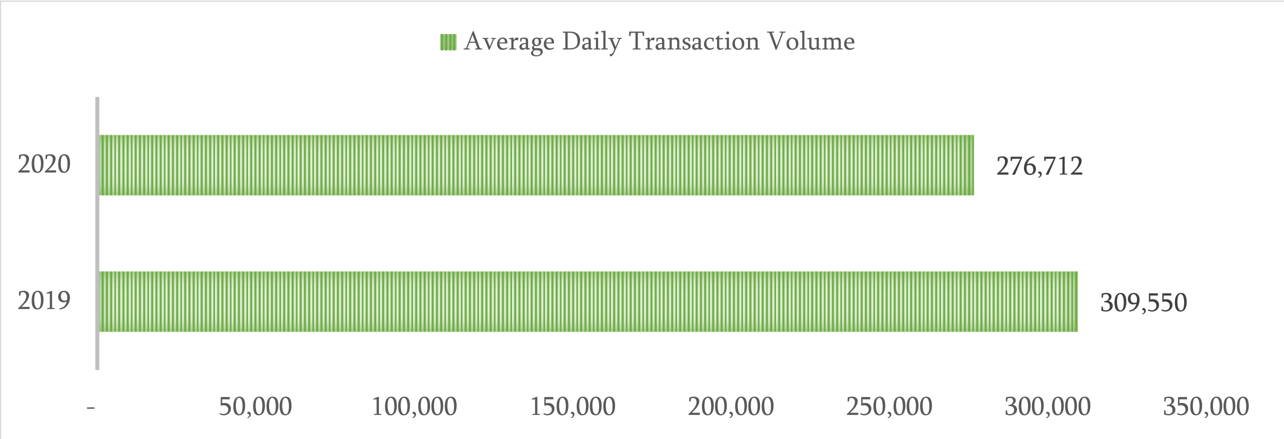


Chart 3. Average Daily Transactions Volume in 2019 and 2020

Activity assessment coefficients

The Group uses certain variables and coefficients to evaluate the outcome of its activity, based on which the group's response measures are planned. The most important of them are the following coefficients:

Income per terminal − an indicator that most objectively determines the effectiveness of any changes carried out in the Group or industry. Changes may concern geographical location of the terminal network or some broader-scale strategic or industrial dimensions. Income per terminal is the key variable of the financial projection models.

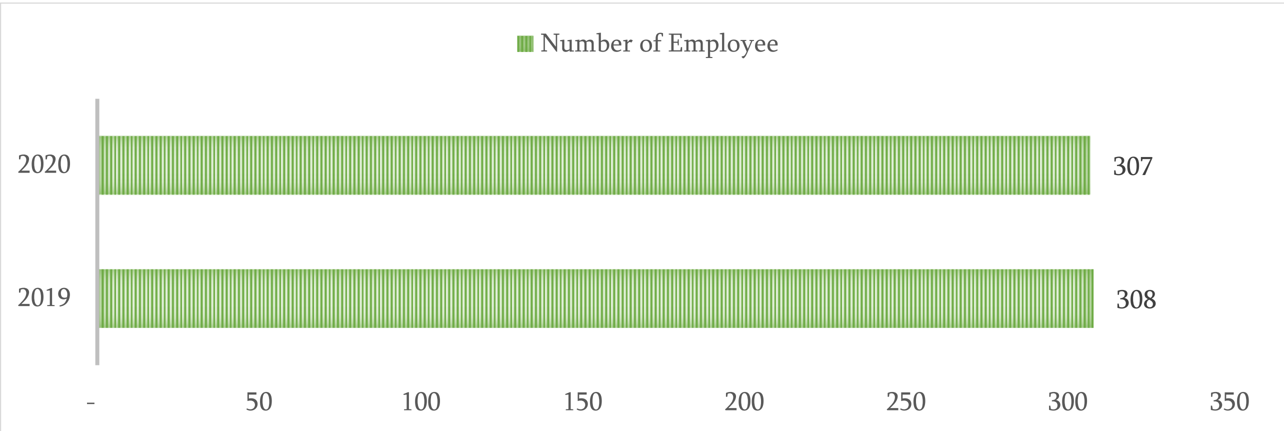
Average number of services added per month − an indicator providing information on the growth rate and diversity of the Group's offered services.

Shares

The Group's capital stock is divided into 361,594,500 common (ordinary) shares, with JSC "Czech Energo-Pro A.S." owing 100% of its shares. The nominal value of 1 common share is 1 (one) tetri.

Employment aspects

The number of the Group's employees at the end of 2020 is 307 persons. Even during pandemic year employee turnover rate was stable (see Chart 4).



(Amounts expressed in thousands of Georgian Lari)

Environmental aspects and corporate social responsibility

The Group is a CSR Club member and it is actively involved in various activities, participating in the public interest for social responsibility-raising events, such as the World Down Syndrome Day and International Children's Day.

In 2020 the Group founded intellectual club "Oppa Lumen", that focuses on self-development and spiritual growth of group employees. "Oppa Lumen" mainly offers introspective lectures by speakers of various backgrounds and creates a space for discussion and growth.

Major risks and uncertainties

Given the specificity of the Group's activity, it is important that potential risks should be timely identified and managed. Occurrence of the risks could possibly inflict financial and non-financial losses. Therefore, the activities have been carried out in various directions to insure against and minimize possible risks. There is a monitoring unit within the Group's structure, which is not involved in the operating activity and which inspects and provides the assessment of the ongoing processes in the Group as an independent party. To avoid possible financial loses, the Group avails itself of the internal and external audit services. In addition, the Group has vested the authority to provide legal services with the third party. The aforesaid entity ensures that the Group's activity is in line with the Georgian legislation, as well as represents the Group in court and with other third parties. Throughout its activity, the Group has to deal with personal data processing. In this regard, the Group's legal department ensures that the requirements of the Law of Georgia *On Personal Data Protection* are met, so that the personal data obtained by the Group are duly protected as prescribed by the law.

- **Risk:** The problems related to the dealer's management of cash limit.
- **Risk description:** The Group may face a risk of difficulties related to the return of the cash limit that a dealer received from the Group for a certain period of time for operation of the instant payment terminals. The risk may be caused by the dealer's potential financial hardship, fraud or possible misappropriation of cash deposited into an instant payment terminals by the third party.
- **Risk reduction method:** Positive assessment of the dealer's solvency (financial capacity) is a precondition for issuing cash limit. The stability of the dealer's owned instant payment terminals operation and the amount of commission fee issued to the dealer are taken into account during the assessment.

- **Risk:** A risk of misappropriation / loss of cash.
- **Risk description:** The Group may face a risk of misappropriation or loss of cash in the process of accumulating funds from the payment machine. The money can be lost/misappropriated not only by an individual involved in the process, but also by an outsider.
- **Risk reduction method:** To ensure transparency of the process of accumulating cash from the payment machine, the Group's authorized employee carries out daily monitoring to confirm the correspondence of the cash turnover in the network and the amounts withdraw. Upon detecting any discrepancy, the causes are investigated and the response measures are determined. In order to avoid internal fraud, the collateral security contracts are concluded with the employees dealing with money.

- **Risk:** Fraudulent transactions using e-wallet.
- **Risk description:** In theory, there is a risk of fraudulent payments/transactions through the electronic wallet, which may cause financial damage to the Group and affect its reputation.
- **Risk reduction method:** Although such a risk has never occurred in practice, the Group still takes certain measure to protect its clients. For this purpose, certain restrictions have been set to insure the clients against the risk of inappropriate e-wallet payments. Under those restrictions, card payments to other companies' electronic wallets are restricted; a user can deposit money into his/her e-wallet from the website only using a linked plastic card; a daily payment limit has been set for SMS and social media authorization; a daily payment limit has been set for full e-mail/password authentication; unauthorized betting transactions and charity donations have been restricted; one-off payment limits have been set for certain products according to the risk level etc. The aforesaid protects the Group and its e-wallet users against fraudulent transactions from their account.

- **Risk:** Regulatory requirements' compliance with the changes in regulations.
- **Risk description:** Being a payment service provider, the Group has been regulated by the National Bank of Georgia. The Group is also accountable to the Financial Monitoring Service of Georgia. The aforesaid agencies may toughen the regulatory requirements, which should be taken into account in course of the Group's activity.
- **Risk reduction method:** To achieve full compliance with the regulatory requirements, a person responsible for keeping it in line with the regulatory requirements shall continuous monitor the legislative acts and, in case of any changes, shall bring the Group's activity, policy and procedures in line with the updated requirements.

(Amounts expressed in thousands of Georgian Lari)

- **Risk:** Money laundering (legalization of illegal incomes).
- **Risk description:** The Group's partners and customers can make use of the Group 's payment channels and offered services for money laundering and financing terrorism.
- **Risk reduction method:** To prevent the cases of money laundering and terrorism financing, throughout its activity the Group takes due account for the National Bank of Georgia and the Financial Monitoring Service requirements and recommendations; before starting business relationship, it thoroughly studies and evaluates a potential partner's activity, reputation and some other important aspects. It also monitors customer payments and in case of detection of any suspicious circumstances, notified the relevant authorities and follows their guidelines. At the same time, the Group employees are regularly trained in terms of their compliance with the existing legislation against money laundering or terrorism financing.

- **Risk:** Cyber-security threats.
- **Risk description:** Today, cyber-attacks are frequently the case in almost all spheres of business, but the financial sector can be regarded as the most attractive for the culprits because of the money and information accumulated therein. Therefore, the Group is constantly focused on developing effective protective mechanisms to reduce the risk of cyber-attacks.
- **Risk reduction method:** The Group monitors the its own equipment using the relevant software in order to protect the available data and consumers' money, controlling each event and action carried out on some important devices. The corresponding mechanisms ensure protection of the Group's internal system against penetration of cyber-viruses and external influence on internal network.

Internal controls over financial data

Financial data exchange within the Group is carried out in accordance with the established procedures, under which the cross-control mechanism plays a significant role. The latter ensures the accuracy of the financial data displayed. For example, on the one hand, they are shared between several structural units to determine the accuracy of financial data. In addition, the unit in charge of control over receipt of cash flows provides the accountant's office, on daily or monthly basis (depending on the data content) with information on the data subject to accounting, be it operating or non-operating income, various types of financial transactions done through the program on daily basis; monetary resource reflected in the register; financial obligations before the agents etc. After the aforesaid and other data are displayed in the accounting program by the accountant's office, the unit in charge of monetary resource management checks the accuracy the data accuracy and includes them in the periodic financial statements. In addition, the Group has developed the internal control policy and procedures, allowing to exchange any kind of data between the structural units and to exercise control over it.