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GALT & TAGGART JSC

SEPARATE FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

RSM

GALT & TAGGART JSC

SEPARATE FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS

These separate financial statements are presented in GEL.

Decimal symbol is dot (".") and digit-grouping symbol is comma (",")

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on page ii, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the separate (non-consolidated) financial statements of Galt & Taggart JSC (hereinafter - the "Company").

Management is responsible for the preparation of the separate financial statements that present fairly the financial position of the Company at 31 December 2016 and the results of its operations, cash flows, and changes in equity for the period then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the separate financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the separate financial statements; and
- Preparing the separate financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Company operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The separate financial statements for the year ended 31 December 2016 were approved on behalf of the management on 24 March 2017 by:

General Director	Irakli Kirtava	______________________
Managing Director	Otar Sharikadze	______________________
Chief Accountant	Ketevan Vanishvili	______________________

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GALT & TAGGART JSC

Opinion

We have audited the accompanying separate financial statements of Galt & Taggart JSC (hereinafter the "Company"), which comprise the separate statement of financial position as at 31 December 2016 and the separate statement of comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the separate financial statements as prescribed by IAS 27 Separate Financial Statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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.

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

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

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

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

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Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

24 March 2017

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 GEL	2015 GEL
Fee and commission income	3	1,050,715	581,859
Fee and commission expense	3	(1,581,567)	(651,905)
Net fee and commission income		**(530,852)**	**(70,046)**
Interest income	4	1,549,329	1,134,305
Interest expense	4	(121,992)	(11,301)
Net interest income		**1,427,337**	**1,123,004**
Other operating income	5	2,332,990	2,761,151
Net gain from trading securities	6	294,967	347,140
Net foreign exchange gain		826,537	1,657,063
Impairment of financial assets	7	-	(29,823,666)
General and administrative expenses	8	(3,382,131)	(3,079,791)
Other non-operating income		2,180	-
Other expenses		(9,161)	(36,749)
PROFIT (LOSS) BEFORE TAX		**961,867**	**(27,121,894)**
Income tax expense	9	(146,680)	(309,987)
Deferred income tax expense/benefit	18	(58,014)	22,934
PROFIT (LOSS) FOR THE YEAR		**757,173**	**(27,408,947)**
OTHER COMPREHENSIVE INCOME			
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**757,173**	**(27,408,947)**
EARNINGS PER SHARE	10	**GEL**	GEL
BASIC & DILUTED		0.07	(3.11)

General Director	Irakli Kirtava	______________________
Managing Director	Otar Sharikadze	______________________
Chief Accountant	Ketevan Vanishvili	______________________

SEPARATE STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Note	2016 GEL	2015 GEL
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	11	277,766	342,923
Investment properties	13	949,531	949,531
Intangible assets, net	12	175,283	221,729
Investments in non-consolidated subsidiaries	14	2,623,611	2,623,611
Investments in associates	15	928,592	316,370
Available-for-sale financial assets	16	339,207	77,364
Loans issued	17	5,572,218	4,133,174
Deferred tax assets	18	-	106,169
Total non-current assets		**10,866,208**	8,770,871
CURRENT ASSETS			
Trading securities	19	7,520,092	5,213,627
Accounts receivables	20	978,093	1,072,662
Cash and cash equivalents	21	15,243,905	8,750,656
Total current assets		**23,742,090**	15,036,945
TOTAL ASSETS		**34,608,298**	**23,807,816**
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued Capital	22	10,764,236	10,764,236
Additional paid-in capital	22	24,959,537	24,959,537
Retained earnings (Accumulated loss)		(20,569,369)	(21,326,542)
TOTAL EQUITY		**15,154,404**	**14,397,231**
NON-CURRENT LIABILITIES			
Long-term borrowings	23	2,668,019	-
Deferred tax liabilities	18	-	48,154
Total non-current liabilities		**2,668,019**	48,154
CURRENT LIABILITIES			
Accounts payable	24	16,163,963	7,526,780
Short-term borrowings	23	475,232	1,511,301
Current income tax payable	9	146,680	324,350
Total current liabilities		**16,785,875**	9,362,431
TOTAL LIABILITIES		**19,453,894**	**9,410,585**
TOTAL EQUITY AND LIABILITIES		**34,608,298**	**23,807,816**

General Director	Irakli Kirtava	____________________
Managing Director	Otar Sharikadze	____________________
Chief Accountant	Ketevan Vanishvili	____________________

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	ISSUED CAPITAL	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
		GEL	GEL	GEL	GEL
At 31 December 2014		**5,323,100**	**7,132,403**	**5,884,240**	**18,339,743**
Contribution by the parent		5,441,136	18,025,299	-	23,466,435
Profit (loss) for the year		-	-	(27,408,947)	(27,408,947)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	(27,408,947)	(27,408,947)
Reclassification of contribution		-	(198,165)	198,165	-
At 31 December 2015		**10,764,236**	**24,959,537**	**(21,326,542)**	**14,397,231**
Profit (loss) for the year		-	-	757,173	757,173
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	757,173	757,173
At 31 December 2016		**10,764,236**	**24,959,537**	**(20,569,369)**	**15,154,404**

General Director	Irakli Kirtava	________________
Managing Director	Otar Sharikadze	________________
Chief Accountant	Ketevan Vanishvili	________________

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 GEL	2015 GEL
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year:		961,867	(27,121,894)
Adjustments for:			
Depreciation and amortization	11, 12	130,634	65,965
Impairment of financial assets	14	-	29,823,666
Foreign exchange gain		(826,537)	(1,657,063)
Gain on sale of PPE		(2,180)	-
Gain on sale of investments in associates	15	(176,580)	-
Write-off of PPE	11	1,393	-
Interest income	4	(1,549,329)	(1,134,305)
Interest expense	4	121,992	11,301
Change in operating assets and liabilities:			
Increase in trading securities	19	(1,530,054)	(1,961,329)
Decrease (increase) in accounts receivable	20	119,562	(18,257)
Increase in accounts payable	24	8,087,574	2,489,537
Cash generated from operations		**5,338,342**	**497,621**
Interest paid		(108,823)	-
Income taxes paid		(90,000)	(819,638)
Net cash generated by (used in) operating activities		**5,139,519**	**(322,017)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in non-consolidated subsidiaries	14	-	(21,401,401)
Investment in associates	15	(818,342)	(158,400)
Sale (purchase) of Available-for-sale financial assets	16	(13,998)	1,006,129
Sale of property and equipment		26,594	-
Sale of investment in associates	15	382,700	-
Purchase of property and equipment	11	(44,703)	(299,064)
Purchase of intangible assets	12	(135)	(227,717)
Loans issued	17	-	(768,498)
Interest received		263,673	316,465
Net cash used in investing activities		**(204,211)**	**(21,532,486)**

SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)

	Note	2016 GEL	2015 GEL
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	5,441,136
Contribution by the parent company		-	18,025,299
Proceeds from loan from subsidiaries	23	450,000	-
Proceeds from bank loans	23	2,569,930	1,500,000
Repayment from bank loans		(1,728,947)	-
Net cash generated by (used in) financing activities		**1,290,983**	**24,966,435**
CASH AND CASH EQUIVALENTS	21		
At 1 January		**8,750,656**	**5,310,721**
Net increase in the year		6,226,291	3,111,932
Effect of exchange rate changes on cash and cash equivalents held		266,958	328,003
At 31 December		**15,243,905**	**8,750,656**

General Director	Irakli Kirtava	______________________
Managing Director	Otar Sharikadze	______________________
Chief Accountant	Ketevan Vanishvili	______________________

NOTES

NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

Joint Stock Company Galt and Taggart (hereinafter referred to as the "Company"), identification number 211359206, was registered on 19 December 1995 in Tbilisi, Georgia. The Company's legal address is 79 David Agmashenebeli Avenue, Tbilisi, Georgia. In 2000-2009 and 2009-2014 the Company operated under the name of "Galt and Taggart Securities" and "BG Capital", respectively and as "Galt and Taggart" since. The Company was a wholly owned subsidiary of Bank of Georgia since 2005. In November 2015 Galt and Taggart JSC was registered as a wholly owned subsidiary of BG Financial (Identification Number 402018918) according to the legislation of Georgia in 2015. The 100% shareowner of BG Financial JSC is BGEO Group JSC (Identification number: 405103034). On the other hand, BGEO Group JSC is fully owned by BGEO Group PLC ("BGEO") (Registration number: 7811410), a public limited liability company incorporated in England and Wales, whose shares are admitted to London Stock Exchange Premium Listing (ticker - BGEO:LN). BGEO Group PLC represents the Ultimate Beneficial Owner of JSC Galt and Taggart.

The Company, which is registered by National Bank of Georgia, is brokerage company (investment bank) operating on securities market. It provides brokerage, investment banking, corporate advisory, private equity and wealth management services to its clients. It operates as an agent for deals on both equity and debt capital markets, provides consultation services during mergers & acquisitions and corporate restructuring.

It also provides macroeconomic and industry sector research as well as fixed income corporate research. The company has been providing indicated licensed services since 2000. It has trading execution capabilities on all major international exchanges and in regional frontier markets.

The Company had an operating branch in Azerbaijan. The registration of the branch, located in Azerbaijan, had been suspended on 28 October 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These separate (non-consolidated) financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2016.

The separate financial statements comprise a statement of profit or loss, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Company in their capacity as owners are recognised in the statement of changes in equity.

The Company presents the profit and loss items using the classification by function of expenses. The Company believes this method provides more useful information to the readers of the separate financial statements as it better reflects the way operations are run from a business point of view. The statement of financial position format is based on a current / non-current distinction.

Management decided not to prepare consolidated financial statements under provisions of IFRS 10 Consolidated Financial Statements as the Company meets all the conditions prescribed therein for non-consolidation:

- It is a wholly-owned subsidiary of a parent which prepares financial statements available for public use that comply with IFRS in which subsidiaries are consolidated;
- Its debt or equity instruments are not traded in a public market;
- It did not file and is not in the process of filing its financial statements with a securities commission for the purpose of issuance any class of instruments in a public market.

Accordingly, the Company does not consolidate its subsidiaries in its separate financial statements, nor it accounts for its associates under the equity method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement bases

The separate financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (eg certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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. When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

Application of new and amended standards

For the preparation of these separate financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 January 2016 (the list does not include information about new or amended requirements that affect interim financial reporting or first-time adopters of IFRS – eg IFRS 14 Regulatory Deferral Accounts (issued in January 2014) - since they are not relevant to IFRS Statements Limited).

- Amendments to IAS 1 titled *Disclosure Initiative* (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments had no material effect on the Company's separate financial statements.

- Amendments to IAS 16 and IAS 38 titled *Clarification of Acceptable Methods of Depreciation and Amortisation* (issued in May 2014) – The amendments, prospectively effective for annual periods beginning on or after 1 January 2016, add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. The amendments had no effect on the Company's separate financial statements.

- Amendments to IAS 16 and IAS 41 titled *Agriculture: Bearer Plants* (issued in June 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, define bearer plants – ie living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives - and include them within IAS 16's scope while the produce growing on bearer plants remains within the scope of IAS 41. As the Company does not undertake agricultural activity, this amendment had no effect on the Company's separate financial statements.

- Amendment to IAS 19 (*Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, clarifies that, in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bonds in the relevant currency should be used. This amendment had no effect on the Company's separate financial statements.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Amendments to IAS 27 titled *Equity Method in Separate Financial Statements* (issued in August 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment has no effect on separate financial statements.

- Amendment to IFRS 5 (*Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014) - The amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. This amendment had no effect on the Company's separate financial statements.

- Amendment to IFRS 7 (*Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. The amendment had no effect on the Company's separate financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28 titled *Investment Entities: Applying the Consolidation Exception* (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendments had no effect on the Company's separate financial statements.

- Amendments to IFRS 11 titled *Accounting for Acquisitions of Interests in Joint Operations* (issued in May 2014) – The amendments, applicable prospectively to annual periods beginning on or after 1 January 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). This amendment had no effect on the Company's separate financial statements.

New and amended standards in issue but not yet effective
The Company has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2016 (the list does not include information about new or amended requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to IFRS Statements Limited).

The Directors anticipate that the new standards and amendments will be adopted in the Company's separate financial statements when they become effective. The Company has assessed, where practicable, the potential effect of all these new standards and amendments that will be effective in future periods.

- Amendments to IAS 7 titled *Disclosure Initiative* (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, require entities to provide information that enable users of financial statements to evaluate changes in liabilities arising from their financing activities. This is not expected to have a material effect on the Company's separate financial statements.
- Amendments to IAS 12 titled *Recognition of Deferred Tax Assets for Unrealised Losses* (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, clarify the accounting for deferred tax assets related to unrealised losses on debt instruments measured at fair value, to address diversity in practice. This is not expected to have an effect on the Company's separate financial statements.
- Amendments to IFRS 2 titled *Classification and Measurement of Share-based Payment Transactions* (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Company's separate financial statements.
- Amendments to IFRS 4 titled *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued in September 2016) - The amendments give all entities that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before implementing the replacement insurance contracts Standard for IFRS 4 that is under drafting by the Board. Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption from applying

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 (until 2021), thus continuing to apply IAS 39 instead. As the Company has not issued insurance contracts, the amendments are not expected to have an effect on its separate financial statements.

- *IFRS 9 Financial Instruments* (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
    - IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
    - For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
    - For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
    - For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
    - The derecognition provisions are carried over almost unchanged from IAS 39.

The Directors anticipate that IFRS 9 will be adopted in the Company's separate financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- Amendments to IFRS 10 and IAS 28 *titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014) – The amendments address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after 1 January 2016, is now deferred indefinitely but earlier application is still permitted. This is not expected to have an effect on the Company's separate financial statements.

- IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014 and amended for clarifications in April 2016) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Directors anticipate that IFRS 15 will be adopted in the Company's separate financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Companies' revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- IFRS 16 *Leases* (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 and its interpretations. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The Directors anticipate that IFRS 16 will be adopted in the Company's separate financial statements when it becomes mandatory and that the application of the new standard will have a significant effect on amounts reported in respect of the Company's leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

(B) INCOME AND EXPENSE RECOGNITION

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(C) PROPERTY AND EQUIPMENT

On initial recognition, items of property and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
After initial recognition, items of property and equipment are carried at cost less any accumulated depreciation and impairment losses.
Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Office and Computer Equipment	20-25% straight line
Motor Vehicles	20% straight line
Leasehold Improvement	25% straight line

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leased assets
Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Assets and liabilities arising from finance lease contracts are initially recognised in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease rentals.

After initial recognition, the depreciation policy applied is consistent with that for depreciable assets that are owned. As a result, the depreciation recognised is calculated in accordance with the useful life stated for property, plant and equipment. In cases where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

The interest element of rental obligations is charged to profit or loss over the period of the lease at a constant rate on the balance of finance lease obligations outstanding.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Incentives to take out operating leases are credited to profit or loss, as a reduction of rental expense, on a straight-line basis over the lease term.

Provision is made in the statement of financial position for the present value of the onerous element of operating leases. This typically arises when the Company ceases to use premises and they are left vacant to the end of the lease or are sub-let at rentals, which fall short of the amount payable by the Company under the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) INVESTMENT PROPERTIES

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existent investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

(E) INTANGIBLE ASSETS

Separately acquired intangible assets
On initial recognition, intangible assets acquired separately are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. The estimated useful life and amortisation method are revised at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Internally generated intangible assets
Development costs represent typical internally generated intangible assets of relevance for the Company. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) management has the intention and ability to complete the intangible asset and use or sell it.

Given the type of businesses managed by the Company and the cumulative experience gained by the Company, usually the fact that the intangible asset will generate probable future economic benefits is reasonably certain only shortly before a product is launched into the market. Costs incurred before that point in time are not reinstated.

Internally generated intangible assets primarily relate to internally developed software and internally developed patented technology as well as processes or recipes.

Research costs are expensed as incurred.

After initial recognition, internally generated intangible assets follow the accounting policies of separately acquired intangible assets as stated above.

Amortisation
For intangible assets with finite useful lives, amortisation is calculated so as to write off the cost of the asset, less its estimated residual value, over its useful economic life of ten years using straight line method.

Intangible assets with an indefinite useful life are not amortised, but subject to review for impairment as described below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

Investments in non-consolidated subsidiaries and associates are accounted at cost. At the end of every reporting period investments are tested on impairment. Dividends from non-consolidated subsidiaries and associates are recognised in the statement of comprehensive income when the right to receive the dividend is established.

(G) IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment of property, plant and equipment and of intangible assets with finite useful lives
The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit. The 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of the asset / unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

Impairment of intangible assets with indefinite useful lives
Irrespective of whether there is any indication of impairment, such assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

(H) FINANCIAL INSTRUMENTS

Initial recognition and measurement
The Company recognizes a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Company recognizes all financial assets and financial liabilities at fair value. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price. The transaction price for financial assets / liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition / issue of the financial instrument. Transaction costs incurred on acquisition of a financial asset and issue of a financial liability classified at fair value through profit or loss are expensed immediately.

The Company recognizes financial assets using settlement date accounting, thus an asset is recognized on the day it is received by the Company and derecognized on the day that it is delivered by the Company.

Subsequent measurement of financial assets
Subsequent measurement of financial assets depends on their classification on initial recognition. The Company classifies financial assets in one of the following categories:

Financial assets at fair value through profit or loss (FVTPL) Assets are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or meet the conditions for designation in this category at initial recognition.

Gains or losses arising on remeasurement of financial assets at FVTPL incorporate any dividend or interest earned and are recognised in profit or loss.

Loans and Receivables Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that the Company intends to sell immediately or in the near term cannot be classified in this category. These assets are carried at amortized cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility.

Typically accounts receivable, bank balances and cash are classified in this category.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity financial assets These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition the Company designates as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables cannot be classified in this category. Similar to Loans and Receivables, these assets are carried at amortized cost using the effective interest method minus any reduction for impairment or uncollectibility.

Available-for-sale (AFS) financial assets These are non-derivative financial assets that are designated as available for sale on initial recognition or are not classified in one of the previous categories. They are carried at their fair value. However, unquoted equity instruments are carried at cost, where it is not possible to reliably measure their fair value.

Except for foreign exchange gains and losses, interest income and dividends that are recognized in profit or loss, changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated in revaluation reserve, until the investment is disposed of or is determined to be impaired. At that time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Impairment of financial assets
At the end of each reporting period, the Company assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

For AFS equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for accounts receivable that are assessed not to be impaired individually, the Company assesses them collectively for impairment, based on the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.
Only for accounts receivable, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortized cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed (either directly or by adjusting the allowance account for accounts receivable) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortized cost of the financial asset would have been had the impairment not been recognized at the date the impairment is reversed.

For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of AFS equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

Derecognition of financial assets
Irrespective of the legal form of the transactions, financial assets are derecognized when they pass the "substance over form" based derecognition test prescribed by IAS 39. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognized / derecognised in full or recognized to the extent of the Company's continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

Subsequent measurement of financial liabilities
Subsequent measurement of financial liabilities depends on how they have been categorized on initial recognition. The Company classifies financial liabilities in one of the following two categories:
Liabilities at fair value through profit or loss (FVTPL) Liabilities are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and effective hedging instrument) or meet the conditions for designation in this category. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as they arise.

For the years that ended on 31 December 2014 and 2013, the Company did not classify any financial liabilities held for trading or designated as at fair value through profit or loss.

Other financial liabilities All liabilities which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

Typically, accounts payable and borrowings are classified in this category. Items classified within accounts payable are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

Derecognition of financial liabilities
A financial liability is removed from the Company's statement of financial position only when the liability is discharged, cancelled or expired (ie extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognized in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise bank balances and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows only, cash and cash equivalents include bank overdrafts repayable on demand. Since the characteristics of such banking arrangements are that the bank balance often fluctuates from being positive to overdrawn, they are considered an integral part of the Company's cash management.

(I) DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations
These are either separate major lines of business or geographical operations that have been sold or classified as held for sale. When held for use, discontinued operations were a cash-generating unit or a group of cash-generating units. They comprise operations and cash flows that can be clearly distinguished - operationally and for financial reporting purposes - from the rest of the entity. Their results are shown separately in the statement of profit or loss and comparative figures are restated to reclassify them from continuing to discontinued operations.

(J) BORROWING COSTS

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(K) FOREIGN CURRENCY TRANSACTIONS

The functional currency of the Company is GEL. Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the Company using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except when deferred in other comprehensive income as qualifying cash flow hedges).

	Official currency rate of the National Bank of Georgia		
	USD	EUR	GBP
Exchange rate as at 31 December 2016	**2.6468**	**2.7940**	**3.2579**
Exchange rate as at 31 December 2015	**2.3949**	**2.6169**	**3.5492**
Exchange rate as at 1 January 2015	**1.8821**	**2.2881**	**2.9220**
Average rate for the year ended 31 December 2016	**2.3667**	**2.6172**	**3.2051**
Average rate for the year ended 31 December 2015	**2.2702**	**2.5204**	**3.4732**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency (eg available-for-sale equity instruments) are translated using the exchange rates at the date when the fair value is determined.

(L) RETIREMENT BENEFITS

The Company operates a defined contribution scheme for all its employees. The annual contributions payable in respect of defined contribution schemes are charged to profit or loss in the period to which they relate. Any cumulative difference between amounts payable and amounts paid are shown in the statement of financial position as receivables or payables, but otherwise the assets and liabilities of those schemes are not included in the separate financial statements as the employer is not exposed to their risks and rewards, which instead lie with the members of those schemes.

(M) INCOME TAX

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognized in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only to the extent that the Company considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilized within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same Tax Authority and the Company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except if it arises from transactions or events that are recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are recognized in respect of all temporary differences (see Note 18).

(N) PROVISIONS

Where, at the reporting date, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise. Warranty provisions are measured using probability models based on past experience. Restructuring provisions are only recognised once the formal plan has been communicated to affected parties.

(O) EQUITY

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary shares are classified as equity. Equity instruments are recognized at the amount of proceeds received net of costs directly attributable to the transaction. To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account.

Dividend distribution
Dividends are recognised as liabilities when they are declared (ie the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved. Interim dividends are recognised when paid.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasury shares
The cost of treasury shares purchased is shown as a deduction from equity in the statement of financial position. When treasury shares are sold or reissued they are credited to equity. As a result, no gain or loss on treasury shares is included in the statement of comprehensive income.

3 FEE AND COMMISSION INCOME AND EXPENSES

	2016 GEL	2015 GEL
Brokerage	676,329	431,439
Other commission income	374,386	150,420
Total fee and commission income	**1,050,715**	**581,859**
Commission expenses	(1,581,567)	(651,905)
Total commission expenses	**(1,581,567)**	**(651,905)**
FEE AND COMMISSION EXPENSE, NET	**(530,852)**	**(70,046)**

According to agreement with Saxo Bank A/S the Company has ability to use international trading platform for financial instrument transactions. For this service the Company pays Saxo Bank fixed fees.

In 2016 fees for using Saxo Bank's trading platform amounted to GEL 1,097,699 (2015: GEL 335,897).

4 INTEREST INCOME AND EXPENSES

	2016 GEL	2015 GEL
Commercial loans	905,525	714,679
Interest-bearing securities	503,642	376,467
Bank deposits	140,162	8,499
Other	-	34,660
Total interest income	**1,549,329**	**1,134,305**
Interest expense	(121,992)	(11,301)
Total Interest expense	**(121,992)**	**(11,301)**
INTEREST INCOME, NET	**1,427,337**	**1,123,004**

5 OTHER OPERATING INCOME

	2016 GEL	2015 GEL
Investment banking	2,260,253	2,344,242
Gain from a fair value adjustment of investment properties	-	-
Other income	72,737	416,909
TOTAL OTHER OPERATING INCOME	**2,332,990**	**2,761,151**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

6 NET GAIN FROM TRADING SECURITIES

	2016 GEL	2015 GEL
Realized gain from trading securities	294,967	347,140
NET GAIN FROM TRADING SECURITIES	**294,967**	**347,140**

7 IMPAIRMENT OF FINANCIAL ASSETS

	2016 GEL	2015 GEL
Impairment loss of investment in subsidiaries	-	29,823,666
TOTAL IMPAIRMENT OF FINANCIAL ASSETS	**-**	**29,823,666**

Additional information about impairment of financial assets can be found in note 14.

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2016 GEL	2015 GEL
Salaries (excluding annual bonus)	1,398,557	1,504,269
Annual bonus	1,189,840	837,562
Rent and utilities	250,636	186,085
Sales and marketing	175,931	73,749
Depreciation and amortization	130,634	65,966
Consultation and other professional fees	93,298	271,039
Business trips	76,552	60,362
Representative expenses	34,964	38,920
Taxes other than income	12,772	11,436
Other administrative expenses	18,947	30,403
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**3,382,131**	**3,079,791**

Above mentioned consultation and professional fees include auditor compensations amounting to GEL 19,000 for the year ended 31 December 2016 (2015: GEL 20,150).

9 INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	2016 GEL	2015 GEL
Current income tax charge	146,680	309,987
Deferred tax relating to origination and reversal of temporary differences (see note 18)	58,014	(22,934)
TOTAL INCOME TAX EXPENSE	**204,694**	**287,053**

Income tax expense is calculated as 15% of the taxable income of the Company. This method of income tax calculation will be changed since 1 January 2017 (see note 18).

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

9 INCOME TAX EXPENSE (CONTINUED)

A reconciliation between tax expense and the product of accounting profit multiplied by statutory tax rate for the years ended at 31 December 2016 and 2015 are:

	2016 GEL	2015 GEL
Accounting profit (loss) before tax for the year	961,867	(27,121,894)
Corporation tax charge (benefit) thereon at 15%	**144,280**	**(4,068,284)**
ADJUSTED FOR THE EFFECTS OF:		
Expenses not deductible for tax purposes	2,400	4,470,656
Income not liable to tax	-	(68,168)
INCOME TAX EXPENSE FOR THE YEAR	**146,680**	**291,146**
EFFECTIVE TAX RATE	15.2%	-1.1%

10 EARNINGS PER SHARE

NUMERATOR: EARNINGS ATTRIBUTABLE TO EQUITY	2016 GEL	2015 GEL
Profit (loss) for the year	757,173	(27,408,947)
Earnings - basic and diluted	**757,173**	**(27,408,947)**

DENOMINATOR: WEIGHTED AVERAGE NUMBER OF EQUITY SHARES	No. shares	No. shares
Basic and diluted	**10,764,236**	**8,802,175**

The weighted average number of equity shares refers to shares in circulation during the period.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

11 PROPERTY AND EQUIPMENT

	Computer equipment	Office equipment	Vehicles	Leasehold improvement	TOTAL
	GEL	GEL	GEL	GEL	GEL
COST					
AT 31 DECEMBER 2014	**39,770**	**75,792**	**-**	**6,132**	**121,694**
Acquisitions	118,735	19,874	28,900	131,555	299,064
Disposals	-	-	-	-	-
AT 31 DECEMBER 2015	**158,505**	**95,666**	**28,900**	**137,687**	**420,758**
Acquisitions	21,668	21,278	-	1,757	44,703
Disposals	-	-	(28,900)	-	(28,900)
Write-offs	(1,393)	-	-	-	(1,393)
AT 31 DECEMBER 2016	**178,780**	**116,944**	**-**	**139,444**	**435,168**
DEPRECIATION AND IMPAIRMENT					
AT 31 DECEMBER 2014	**14,995**	**14,339**	**-**	**179**	**29,513**
Depreciation for the year	16,498	18,203	4,486	9,135	48,322
Disposals	-	-	-	-	-
AT 31 DECEMBER 2015	**31,493**	**32,542**	**4,486**	**9,314**	**77,835**
Depreciation for the year	29,468	16,910	-	37,675	84,053
Disposals	-	-	(4,486)	-	(4,486)
AT 31 DECEMBER 2016	**60,961**	**49,452**	**-**	**46,989**	**157,402**
NET CARRYING AMOUNT					
At 31 December 2014	24,775	61,453	-	5,953	92,181
At 31 December 2015	127,012	63,124	24,414	128,373	342,923
AT 31 DECEMBER 2016	**117,819**	**67,492**	**-**	**92,455**	**277,766**

There were no property and equipment items pledged as security for liabilities as at 31 December 2016.

12 INTANGIBLE ASSETS

	2016	2015
	GEL	GEL
As of January 1	266,700	34,051
Additions	135	232,649
Disposals	-	-
Accumulated Depreciation	(91,552)	(44,971)
AT 31 DECEMBER	**175,283**	**221,729**

Additions to intangible assets during 2015 resemble the amount paid for acquiring license for brokerage trading platform.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

13 INVESTMENT PROPERTIES

	2016 GEL	2015 GEL
As of January 1	949,531	949,531
Gain from a fair value adjustment	-	-
AT 31 DECEMBER	**949,531**	**949,531**

Investment properties are stated at fair value, which has been determined based on valuation performed by LLC "Georgian Valuation Company", a certified independent valuer, as at 1 October 2013. Valuation was performed with a reference to the market. Management believes that the fair value of the investment properties did not materially change since that date.

According to the lease agreement signed on November 4, 2016, investment property rights are assigned to JSC Bank of Georgia
for the period of 6 months. Lease fee equates to USD 4,500, which was established according to LEPL Levan Samkharauli National Forensics Bureau report as of November 3, 2016.

14 INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

	2016 GEL	2015 GEL
Balance before impairment		
Galt & Taggart Holdings Limited (99.23% equity share)	2,623,611	32,447,277
Total investments in non-consolidated subsidiaries	**2,623,611**	**32,447,277**
Impairment during the year		
Impairment loss of Investment in non-consolidated subsidiaries	-	(29,823,666)
AT 31 DECEMBER	**2,623,611**	**2,623,611**

Investing in LTD Galt & Taggart Holdings does not represent the Company's main business activity. Moreover, this investment Is connected to the strategical business operations of the parent company. The financial statement of JSC Galt & Taggart is consolidated to the financial statement of the parent company.

The parent company has invested in LTD Galt & Taggart Holdings with the help of JSC Galt & Taggart. The latest investment in LTD Galt & Taggart Holdings was made in April 2015 and amounted to GEL 22.3 mln.

At the end of the year 2015, the management of JSC Galt & Taggart conducted the impairment test for the investment made in LTD Galt & Taggart Holdings, which for the time being was no longer representing the strategical business operation of the parent company. As a result, the test has revealed GEL 29,823,666 impairment on investment as of December 31, 2015. Despite the significant impairment losses, this precedent did not made impact on company's normal operations and liquidity.

Based on impairment test of the investment made in the subsidiary, conducted by the Company's management at the end of the year 2016, impairment indications were not discovered.

15 INVESTMENTS IN ASSOCIATES

	2016 GEL	2015 GEL
Georgian Stock Exchange (17.33% equity share [2015: 44%])	110,250	316,370
Tbilisi Stock Exchange (21.59% equity share)	818,342	-
TOTAL INVESTMENTS IN ASSOCIATES	**928,592**	**316,370**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

15 INVESTMENTS IN ASSOCIATES (CONTINUED)

During the year 2016 the Company sold the portion of JSC Georgian Stock Exchange shares and purchased 21.59% of shares of JSC Tbilisi Stock Exchange (subsidiary of JSC Georgian Stock Exchange).

The Company does not account for investments made in associates according to capital method, due to the fact that they are being accounted in the consolidated financial statements of the parent company.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 GEL	2015 GEL
As of January 1	**77,364**	**372,562**
Additions	13,998	21,002
Disposals	-	(291,927)
Reclassification	247,845	-
Changes in fair value	-	(24,273)
AT 31 DECEMBER	**339,207**	**77,364**

Equity instruments, amounting to GEL 247,845, were reclassified from trading securities to available-for-sale financial assets.

17 LOANS ISSUED

In 2014 the Company signed USD 1,300,000 worth loan agreement (subordinated loan) with Georgian chain of retail stores LTD
Two Steps (borrower). The loan was issued for 5 years period with annual interest of 20%, that is capitalised on principal. According to the agreement, the loan is subordinated to the demands of the other creditors, who have higher priority of loan Payment.

Loans issued are carried at amortised cost and equal to GEL 5,572,218 as of 31 December 2016 (2015: GEL 4,133,174).

The loan agreement imposes the following terms and liabilities on the borrower:

- JSC Galt & Taggart has right to introduce a representative candidate with the attendant status to the board of directors;
- To primarily pledge 100% of the borrower's shares and guarantee of the founder;
- To apply mortgage to borrower's present and future assets. This mortgage will always be secondary if the borrower has higher priority loan which does not exceed USD 650,000.
- To provide loan issuer with financial information, next year budgets, business plans, interim financial statements reviews and annual audit reports within the suitable time frame.

The company, alongside with the borrower's management, reviews the borrower's financial performance and compliance with loan terms during board meetings. This meeting was last held in November 2016, during which the borrower's Q3 2016 results were discussed. The borrower had not violated any of the agreement terms for the above mentioned period. According to the assessment, made by the Company's management, the same can be told about the last quarter of 2016.

Interest income from loans issued amounted to GEL 905,525 for the reporting period (2015: GEL 714,679).

During 2016, increase in loans issued by GEL 533,519 is caused by non-cash effects.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

18 DEFERRED TAX

The following table illustrates the deferred tax balances recognized in the statement of financial position:

	2016 GEL	2015 GEL
Deferred tax assets	-	106,169
Deferred tax liabilities	-	(48,154)
NET BALANCE	**-**	**58,015**

The tables below illustrate, in respect of each type of temporary difference, the movements of deferred tax assets and liabilities recognised in the period.

	Recognised in		
	OTHER COMPREHENSIVE INCOME GEL	PROFIT OR LOSS GEL	TOTAL GEL
DEFERRED TAX ASSETS			
AS AT 31 DECEMBER 2014	**-**	**102,856**	**102,856**
Intangible assets	-	(1,366)	(1,366)
Investment in subsidiaries	-	(22,453)	(22,453)
Available-for-sale financial assets	-	(4,006)	(4,006)
Accounts payable	-	30,513	30,513
Current income tax payable	-	624	624
AS AT 31 DECEMBER 2015	**-**	**106,168**	**106,168**
Reversal of deferred tax liabilities	-	(106,168)	(106,168)
AS AT 31 DECEMBER 2016	**-**	**-**	**-**

The tax losses are recognised as assets because insofar as they exceed taxable profits from the reversal of existing temporary differences, sufficient taxable profits are expected in the tax jurisdictions concerned. As a result, there are no unused tax losses for which deferred tax assets have not been recognised.

	Recognised in		
	OTHER COMPREHENSIVE INCOME GEL	PROFIT OR LOSS GEL	TOTAL GEL
DEFERRED TAX LIABILITIES			
AS AT 31 DECEMBER 2014	**-**	**67,778**	**67,778**
Property and equipment	-	7,634	7,634
Investment properties	-	6,013	6,013
Trading securities	-	(37,129)	(37,129)
Intangible assets	-	1,579	1,579
Accounts payables	-	2,280	2,280
AS AT 31 DECEMBER 2015	**-**	**48,155**	**48,155**
Reversal of deferred tax liabilities	-	(48,155)	(48,155)
AS AT 31 DECEMBER 2016	**-**	**-**	**-**

On 13 May 2016 the Parliament of Georgia passed with its third and final reading the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law is effective for tax periods starting after 1 January 2017.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

18 DEFERRED TAX (CONTINUED)

Considering that the change in the Georgian Tax Code was enacted before the reporting date, the Company has recognized the full effect of the change by derecognizing previously recognized deferred tax assets and liabilities through the current period profit or loss as a deferred tax expense (amounting to GEL 58,014). According to this change is Georgian Tax Code, deferred assets and liabilities will not be recognised after the law is valid.

Contingent income tax liability that is generated through profit distribution will not be recognised in statement of financial position.

19 TRADING SECURITIES

	2016 GEL	2015 GEL
Interest-bearing debt instruments	7,506,774	5,202,027
Equity instruments	13,318	11,600
TOTAL TRADING SECURITIES	**7,520,092**	**5,213,627**

All trading securities are stated at fair value.

Interest-bearing debt instruments balance includes accrued coupon on these instruments.

Equity instruments, amounting to GEL 247,845, were reclassified from trading securities to available-for-sale financial assets.

During the reporting period GEL 644,125 increase represents non-cash effect on trading securities.

20 ACCOUNTS RECEIVABLE

	2016 GEL	2015 GEL
Prepaid bonus expenses	521,292	287,776
Amounts due from clients and other counterparties	420,898	488,912
Taxes receivable	9,847	256,485
Prepaid salaries	8,153	15,021
Accrued interest	-	3,298
Other prepayments	17,903	21,170
TOTAL ACCOUNTS RECEIVABLE	**978,093**	**1,072,662**

During 2016, increase in accounts receivable by GEL 259,343 is due to non-cash effects.

There is no material difference between the fair value of receivables and their carrying amount.

21 CASH AND CASH EQUIVALENTS

	2016 GEL	2015 GEL
Client funds	14,785,975	6,746,213
Cash at bank	422,862	203,433
Short-term deposits	35,068	1,801,010
TOTAL CASH AND CASH EQUIVALENTS	**15,243,905**	**8,750,656**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

21 CASH AND CASH EQUIVALENTS (CONTINUED)

Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months and earn interest at respective short-term deposit rate. Interest income from short-term deposits is presented in note 4.

Cash and cash equivalents include clients' bank deposits that are used to perform trading operations on various financial instruments on behalf of their instructions. These funds are recognised as liabilities and are presented as due to clients (see note 24).

Increase in cash and cash equivalents by GEL 266,955, during the reporting period, is caused by non-cash effects.

There is no material difference between the fair value and the carrying amount of cash and cash equivalents.

22 ISSUED AND ADDITIONAL PAID-IN CAPITAL

	2016 GEL	2015 GEL
Authorised:		
10,000,000 ordinary shares of GEL 1 each	-	-
Issued and fully paid:		
10,764,236/10,764,236 ordinary shares of GEL 1 each	10,764,236	10,764,236

Additional paid-in capital
Additional paid-in capital includes amounts contributed to the Company's equity by its shareholders in excess of par value of the Company's shares that amounted to GEL 24,959,537 as of 31 December 2016 (2015: 24,959,537), decreased by the amounts of distributions made by the Company to its shareholders.

23 BORROWINGS

The tables below illustrate the Company's debt balance components at the end of respective periods:

Short-term borrowings	2016 GEL	2015 GEL
Short-term borrowings from subsidiaries	450,000	1,500,000
Interest payable	25,232	11,301
TOTAL SHORT-TERM BORROWINGS	**475,232**	**1,511,301**

Long-term borrowings	2016 GEL	2015 GEL
Long-term bank loan	2,668,019	-
TOTAL LONG-TERM BORROWINGS	**2,668,019**	**-**

Long-term bank loan is denominated in USD with 7% interest rate (effective: 7.11%) and maturity date until 7 October 2019. Loan interest is paid quarterly, whereas principal is payable on loan maturity date.

Long-term bank loan is secured by JSC m² Real Estate and Treasury (government) bonds. According to loan agreement ratio of these bonds to bank loan should not be below 1.

During year 2016 interest expenses on loans received amounted to GEL121,992 (2015: 11,301).

During the reporting period GEL 327,036 increase represents non-cash effect on borrowings.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

24 ACCOUNTS PAYABLE

	2016 GEL	2015 GEL
Amounts due to clients	14,785,975	6,746,213
Bonuses payable	840,750	607,437
Trade payables and accrued liabilities	524,271	155,142
Other payables	12,967	17,988
TOTAL ACCOUNTS PAYABLE	**16,163,963**	**7,526,780**

Accrued liabilities represent miscellaneous contractual liabilities that relate respectively to expenses that were accrued but not paid for at the year-end.

Increase in accounts payable by GEL 549,607 during the reporting period is caused by non-cash effects.

The carrying amount of accounts payable is considered to be in line with their fair value at the reporting date.

25 RELATED PARTY TRANSACTIONS

BG Financial, member of BGEO Group, holds 100% of the ordinary shares of the Company. Bank of Georgia is the ultimate controlling party of the BGEO Group. BGEO Group produces and publishes consolidated financial statements available for public use.

	2016 GEL	2015 GEL
AMOUNT OF TRANSACTIONS		
Transactions with Bank of Georgia:		
Trade & service income	75,000	330,000
Fee and commission income	2,032	4,510
Fee and commission expenses	178,503	431,400
Rent and other operating expenses	152,566	142,742
Trade & service expenses	149,174	-
Interest income	44,157	-
Rent income	19,425	-
Transactions with entities controlled by Bank of Georgia:		
Fee and commission income	36,828	1,985,469
Rent income	23,320	71,564
Net gain from trading securities	-	198,125
Disposal of assets	26,593	-
Insurance expenses	21,594	18,650
Trade & service income	1,155,645	-
Interest expenses	1,184	-

The above transactions were made on the same terms as equivalent transactions with unrelated parties.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

25 RELATED PARTY TRANSACTIONS (CONTINUED)

	2016 GEL	2015 GEL
OUTSTANDING BALANCES		
Balances with Bank of Georgia:		
Cash and cash equivalents	10,622,540	8,744,899
Trading securities	-	5,213,627
Accounts receivable	810	541,681
Accounts payable	98,572	9,244,269
Balances with entities controlled by Bank of Georgia:		
Trading securities	6,402,100	3,527,750
Accounts receivable	45,939	43,755
Short-term borrowings	451,184	-
Accounts payable	20,951	106,919

The following table illustrates key management compensation during the period concerned:

	2016 GEL	2015 GEL
KEY MANAGEMENT COMPENSATION		
Wages, salaries and short-term benefits	433,782	424,171

26 COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Company as lessee
In January 2016 the Company signed operational lease agreement with JSC Bank of Georgia, for one year period, in which the Company is presented as a lessee. According to the agreement, the company received the office space, where it currently operates. This agreement is not cancellable, however, it can be renewed in the future. The annual payment equals to USD 5,258 equivalent in GEL.

As of December 31 year 2016 future minimal lease payments that must be covered in one year equals to GEL 167,008.

The operational lease expenses are recognised in profit and loss and equal to GEL 152,566 (2015: 124,248).

Operating lease commitments - Company as lessor
In November 2016 the Company signed 6-months non-cancellable operational lease agreement with JSC Bank of Georgia on the Company's investment property. The monthly lease payment amounts to USD 4,500 equivalent in GEL.

In next year, the Company will receive GEL 47,642 as a minimal operational lease income (2015: GEL 71,564).

27 INFORMATION ON FINANCIAL RISK

In performing its operating, investing and financing activities, the Company is exposed to the following financial risks:

- Credit risk: the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the Company.
- Liquidity risk: the risk that the Company may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

27 INFORMATION ON FINANCIAL RISK (CONTINUED)

- Market risk: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the Company is exposed to three market risk components:
  - Interest rate risk
  - Currency risk
  - Equity price risk

Risk management is carried out by the Company's management in cooperation with the Company's operating units. Due to the
relative simplicity of the Company's operations, there are no written policies on overall risk management.

The following table summarizes the carrying amount of financial assets and financial liabilities recorded by category:

	2016 GEL	2015 GEL
FINANCIAL ASSETS		
Cash and cash equivalents	15,243,905	8,750,656
Trading securities	7,520,092	5,213,627
Loans issued	5,572,218	4,133,174
Accounts receivable	978,093	1,072,662
Available-for-sale financial assets	339,207	77,364
TOTAL FINANCIAL ASSETS	**29,653,515**	**19,247,483**
FINANCIAL LIABILITIES		
Accounts payable	16,163,963	7,526,780
Short-term borrowings	475,232	1,511,301
Current income tax payable	146,680	324,350
Long-term borrowings	2,668,019	-
TOTAL FINANCIAL LIABILITIES	**19,453,894**	**9,362,431**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value,
grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:		
	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS MEASURED AT FAIR VALUE AT 31 DECEMBER 2016			
Trading securities	7,520,092	-	-
Available-for-sale financial assets	339,207	-	-
Investment property	-	949,531	-
TOTAL	**7,859,299**	**949,531**	**-**
ASSETS MEASURED AT FAIR VALUE AT 31 DECEMBER 2015			
Trading securities	5,213,627	-	-
Available-for-sale financial assets	77,364	-	-
Investment property	-	949,531	-
TOTAL	**5,290,991**	**949,531**	**-**

The Company does not carry any financial liability classified in the category "at fair value through profit or loss".

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

27 INFORMATION ON FINANCIAL RISK (CONTINUED)

Credit risk
The Company controls its exposure to credit risk by settling limits of its exposure to individual customers and these are disseminated to operating companies. As part of the process of setting customer credit limits, different external reference agencies are used, according to the country of the customer. The Company has adopted a policy of dealing with creditworthy counterparties.

There are no significant concentrations of credit risk.

The maximum credit risk to which the Company is exposed is summarised in the following table:

	2016 GEL	2015 GEL
Cash and cash equivalents	15,243,905	8,750,656
Loans issued	5,572,218	4,133,174
Accounts receivable	978,093	1,072,662

As explained in Note 21, cash and cash equivalents balances represent bank balances and short-term deposits with a less than three months maturity. The Company does not hold collateral for any of its receivables. All the receivables and prepayments that are past due at reporting date are impaired as appropriate. All of the available-for-sale financial assets are in the form of investments in equity securities and therefore they have no exposure to credit risk.

Liquidity risk - Financial liabilities maturity analysis
The Company manages liquidity risk on the basis of expected maturity dates.

The following table provides an analysis of the remaining contractual maturities (contractual and undiscounted cash flows) of the Company's financial assets and liabilities as at 31 December, 2016:

	Less than 1 year GEL	1 - 5 years GEL	Over 5 years GEL	TOTAL GEL
FINANCIAL ASSETS				
Cash and cash equivalents	15,243,905	-	-	15,243,905
Accounts receivable	630,565	347,528	-	978,093
Trading securities	7,520,092	-	-	7,520,092
Loans issued	-	5,572,218	-	5,572,218
Available-for-sale financial assets	-	339,207	-	339,207
TOTAL FINANCIAL ASSETS	**23,394,562**	**6,258,953**	**-**	**29,653,515**
FINANCIAL LIABILITIES				
Current income tax payable	146,680	-	-	146,680
Short-term borrowings	475,232	-	-	475,232
Accounts payable	16,163,963	-	-	16,163,963
Long-term borrowings	-	2,668,019	-	2,668,019
TOTAL FINANCIAL LIABILITIES	**16,785,875**	**2,668,019**	**-**	**19,453,894**
LIQUIDITY POSITION	**6,608,687**	**3,590,934**	**-**	**10,199,621**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

27 INFORMATION ON FINANCIAL RISK (CONTINUED)

The table below provides an analysis of the remaining contractual maturities (contractual and undiscounted cash flows) of the Company's financial assets and liabilities as at 31 December, 2015:

	Less than 1 year	1 - 5 years	Over 5 years	TOTAL
	GEL	GEL	GEL	GEL
FINANCIAL ASSETS				
Cash and cash equivalents	8,750,656	-	-	8,750,656
Accounts receivable	880,812	191,850	-	1,072,662
Trading securities	5,213,627	-	-	5,213,627
Loans issued	-	4,133,174	-	4,133,174
Available-for-sale financial assets	-	77,364	-	77,364
TOTAL FINANCIAL ASSETS	**14,845,095**	**4,402,388**	**-**	**19,247,483**
FINANCIAL LIABILITIES				
Current income tax payable	324,350	-	-	324,350
Short-term borrowings	1,511,301	-	-	1,511,301
Accounts payable	7,526,780	-	-	7,526,780
TOTAL FINANCIAL LIABILITIES	**9,362,431**	**-**	**-**	**9,362,431**
LIQUIDITY POSITION	**5,482,664**	**4,402,388**	**-**	**9,885,052**

Interest rate risk
The Company's exposure to interest rate risk only concerns financial assets which are fixed rate. The impact of a change in interest rates on fixed interest rate financial assets on their fair value was assessed to be insignificant.

Foreign currency risk
Foreign currency denominated assets (bank balances, deposits, securities and receivables) and liabilities (payables) give rise to
foreign exchange exposure. The Company does not have any formal procedures on managing currency risk, however, management considers themselves to be well informed on the tendencies in the economy and has undertaken several steps to minimize its currency risks. These steps mainly include placing currency deposits and holding financial instruments.

Financial assets by currency
Financial assets as at 31 December 2016 are analysed by currency as follows:

	Cash and cash equivalents	Trading securities	Loans issued	Accounts receivable	Available-for-sale financial assets	TOTAL
	GEL	GEL	GEL	GEL	GEL	GEL
Georgian Laris	1,264,251	825,915	-	775,316	94,253	2,959,735
Euros	297,187	-	-	295	-	297,482
US Dollars	8,959,880	6,686,134	5,572,218	193,450	244,954	21,656,636
GB Pounds	3,912,330	8,043	-	7,589	-	3,927,962
Swiss Franks	646,541	-	-	-	-	646,541
Others	163,716	-	-	1,443	-	165,159
AT 31 DECEMBER 2016	**15,243,905**	**7,520,092**	**5,572,218**	**978,093**	**339,207**	**29,653,515**

27 INFORMATION ON FINANCIAL RISK (CONTINUED)

Financial assets as at 31 December 2015 are analysed by currency as follows:

	Cash and cash equivalents	Trading securities	Loans issued	Accounts receivable	Available-for-sale financial assets	TOTAL
	GEL	GEL	GEL	GEL	GEL	GEL
Georgian Laris	1,644,253	168,878	-	117,719	77,364	2,008,214
Euros	1,415,231	-	-	4	-	1,415,235
US Dollars	2,377,860	5,044,283	4,133,174	180,323	-	11,735,640
GB Pounds	3,185,282	-	-	134,181	-	3,319,463
Swiss Francs	122,128	-	-	-	-	122,128
Others	5,902	466	-	640,435	-	646,803
AT 31 DECEMBER 2015	**8,750,656**	**5,213,627**	**4,133,174**	**1,072,662**	**77,364**	**19,247,483**

Financial liabilities by currency

The following table analyses the breakdown of financial liabilities by currency:

	2016	2015
	GEL	GEL
Georgian Laris	2,908,539	2,934,973
Euros	579,475	1,412,160
US Dollars	11,393,953	1,619,156
GB Pounds	3,768,748	3,265,428
Swiss Francs	640,044	122,128
Others	163,135	8,586
AT 31 DECEMBER 2015	**19,453,894**	**9,362,431**

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the Euro would cut / increase 2016 profits after tax by GEL 263,663 (2015: GEL 307).

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the US Dollar would cut / increase 2016 profits after tax by GEL 9,595,609 (2015: GEL 1,011,648).

A hypothetical 10% increase / decrease in the exchange rate of the GEL against GB Pound would cut / increase 2016 profits after tax by GEL 148,865 (2014: GEL 5,403).

A hypothetical 10% increase / decrease in the exchange rate of the GEL against Swiss Franc would cut / increase profits after tax by GEL 6,075 (2014: GEL 0).

28 EVENTS AFTER THE REPORTING PERIOD

This financial statement was approved for publishing by the Company's Management on 24 March 2017.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

29 SIGNIFICANT JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing its separate financial statements, the Company has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Company periodically monitors such estimates and assumptions and makes sure they incorporate all relevant information available at the date when separate financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the separate financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of doubtful receivables
The determination of the recoverability of the amount due from contragents involves the identification of whether there is any objective evidence of impairment. Bad debts are written off when identified, to the extent that it is feasible that impairment and uncollectibility are determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgement and may materially affect the carrying amount of receivables at the reporting date.

Assets impairment tests
A financial asset or a group of financial assets, other than those categorised at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment exists only when the Company ascertains that a "loss event" affecting the estimated future cash flows of the financial asset has occurred. It may not be possible to identify a single, discrete event that caused the impairment, and moreover to determine when a loss event has occurred might involve the exercise of significant judgement.

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

With regard to equity investments categorised as available-for-sale, the Company considers those assets to be impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is "significant" or "prolonged" requires significant judgement.

The impairment analysis of tangible and other intangible assets requires an estimation of the value in use of the asset or the cash-generating unit to which the assets are allocated. Estimation of the value in use is primarily based on discounted cash flow models which require the Company to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of the cash flows.

Fair value measurements
Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available (eg for unquoted investments), the Company works closely with external qualified valuers who perform the valuation, based on agreed appropriate valuation techniques and inputs to the model (eg use of the market comparable approach that reflects recent transaction prices for similar instruments, discounted cash flow analysis, option pricing models refined to reflect the issuer's specific circumstances). Prices determined then by the valuers are used by the Company without adjustment. Changes in the fair value of assets and liabilities and their causes are quarterly analysed by the Company's valuation sub-committee of the Board of Directors. Such valuations require the Company to select among a range of different valuation methodologies and to make estimates about expected future cash flows and discount rates.

Deferred tax estimation
Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.