JSC “Galt & Taggart”

Financial Statements

For the Year Ended 31 December 2019
Together with Independent Auditor’s Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of JSC Galt and Taggart:

Opinion

We have audited the separate financial statements of JSC Galt and Taggart (the "Company"), which comprise the separate statement of financial position as at 31 December 2019, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2019, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standarts are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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

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

In preparing the 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 going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives of our audit 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 ISA will always detect a material misstatement when it exists.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and conctent of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

On behalf of Nexia TA LLC

Gela Mgebrishvili

27 March, 2020

Tbilisi, Georgia

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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On behalf of Nexia TA LLC

Gela Mgebrishvili

27 March, 2020

Tbilisi, Georgia

JSC GALT AND TAGGART
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2019
(GEORGIAN LARI)

ASSETS	Notes	31 December, 2019	31 December, 2018
Non-current assets			
Property and equipment, right of use asset	5	377,305	289,313
Investment property	6	1,505,000	1,362,000
Intangible assets	7	512,614	429,954
Investments in non-consolidated subsidiaries	8	1,081,000	1,022,000
Investment in associates	9	1,261,928	928,592
Financial assets at fair value through other comprehensive income	10	578,160	535,320
Loans issued	12	473,014	-
Total non-current assets		**5,789,021**	**4,567,179**
Current assets			
Financial Assets at fair value through profit or loss	11	7,172,577	4,476,798
Loans issued	12	-	8,472,468
Prepayments	13	1,045,692	740,128
Accounts receivable	14	1,086,440	574,396
Cash and cash equivalents	15	1,110,801	529,987
Client’s cash and cash equivalents	16	30,118,737	14,884,880
Total current assets		**40,534,247**	**29,678,657**
Total Assets		**46,323,268**	**34,245,836**
EQUITY AND LIABILITIES			
Equity			
Issued capital	17	6,136,137	10,764,236
Additional paid-in capital	17	21,587,636	24,959,537
Accumulated loss		(14,448,284)	(17,043,560)
Other reserves	10	(1,499,771)	(1,601,611)
Total equity		**11,775,718**	**17,078,602**
Non-current liabilities			
Long-term debt	19	723,874	-
Total long-term liabilities		**723,874**	**-**
Current liabilities			
Accounts payable	20	1,833,616	1,321,608
Amounts due to clients	16	30,118,737	14,884,880
Deferred income	18	59,976	282,965
Short-term borrowings	19	1,690,461	674,618
Lease liabilities	5	120,886	-
Current income tax payable		-	3,163
Total Short term liabilities		**33,823,676**	**17,167,234**
Total Liabilities		**34,547,550**	**17,167,234**
Total Equity and Liabilities		**46,323,268**	**34,245,836**

Approved for issue and signed on behalf of the management on 27 March 2020.

General Director
Irakli Kirtava

Managing Director
Otari Sharikadze

Chief Accountant
Ketevan Vanishvili

JSC GALT AND TAGGART
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2019
(GEORGIAN LARI)

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General Director
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Managing Director
Otari Sharikadze

Chief Accountant
Ketevan Vanishvili

The notes on pages 9-30 form an integral part of these separate financial statements.

	Note	2019	2018
Fee and commission income	21	3,646,869	2,734,060
Fee and commsision expense	21	(2,650,178)	(2,826,990)
Net fee and commission income/ (expense)		**996,691**	**(92,930)**
Income from investment banking and research	22	4,304,007	3,678,500
General and administrative expenses	23	(4,614,709)	(3,955,573)
Net gain/(loss) from financial assets at fair value through profit/loss	24	(365,506)	44,473
Other expenses		(8,341)	(39,228)
Net operating income / (expense)		**312,142**	**(364,758)**
Interest income	25	1,711,358	2,502,788
Interest expense	25	(121,104)	(57,362)
Impairment of loans issued		-	(460,348)
Net foreign exchange gain	26	549,880	356,265
Gain on investment property revaluation	6	143,000	-
PROFIT BEFORE TAX		**2,595,276**	**1,976,585**
Income tax expense		-	-
PROFIT FOR THE YEAR		**2,595,276**	**1,976,585**
OTHER COMPREHENSIVE INCOME :			
The movement in the net value of investment in non-consolidated subsidiary through other comprehensive income	8	59,000	(1,601,611)
Changes on other financial assets at fair value through other comprehensive income	10	42,840	-
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**101,840**	**(1,601,611)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,697,116**	**374,974**
Earnings per share (basic and diluted)		0.44	0.03

Approved for issue and signed on behalf of the management on 27 March 2020.

General Director
Irakli Kirtava

Managing Director
Otari Sharikadze

Chief Accountant
Ketevan Vanishvili

JSC GALT AND TAGGART
SEPARATE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2019
(GEORGIAN LARI)

	Note	2019	2018
Fee and commission income	21	3,646,869	2,734,060
Fee and commsision expense	21	(2,650,178)	(2,826,990)
Net fee and commission income/ (expense)		**996,691**	**(92,930)**
Income from investment banking and research	22	4,304,007	3,678,500
General and administrative expenses	23	(4,614,709)	(3,955,573)
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Income tax expense		-	-
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Earnings per share (basic and diluted)		0.44	0.03

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General Director
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Managing Director
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Chief Accountant
Ketevan Vanishvili

	Issued Capital	Additional paid-in capital	Other reserves	Accumulated loss	Total equity
At 31 December 2017	**10,764,236**	**24,959,537**	**-**	**(19,549,284)**	**16,174,489**
Effect of IFRS 9	-	-	**-**	554,139	**554,139**
At 1 January 2018 (restated)	**10,764,236**	**24,959,537**	**-**	**(18,995,145)**	**16,728,628**
Profit for the year	-	-	-	1,976,585	**1,976,585**
Other comprehensive loss for the year	-	-	(1,601,611)	-	**(1,601,611)**
Total comprehensive income for the year	**-**	**-**	**(1,601,611)**	**1,976,585**	**374,974**
Dividends to shareholders	-	-	-	(25,000)	**(25,000)**
At 31 December 2018	**10,764,236**	**24,959,537**	**(1,601,611)**	**(17,043,560)**	**17,078,602**
Profit for the year	-	-	-	2,595,276	**2,595,276**
Other comprehensive income for the year	-	-	101,840	-	**101,840**
Total comprehensive income for the year	**-**	**-**	**101,840**	**2,595,276**	**2,697,116**
Share buyback (Note 17)	(4,628,099)	(3,371,901)	-	-	**(8,000,000)**
At 31 December 2019	**6,136,137**	**21,587,636**	**(1,499,771)**	**(14,448,284)**	**11,775,718**

Approved for issue and signed on behalf of the management on 27 March 2020.

General Director
Irakli Kirtava

Managing Director
Otar Sharikadze

Chief Accountant
Ketevan Vanishvili

JSC GALT AND TAGGART
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2019
(GEORGIAN LARI)

	Issued Capital	Additional paid-in capital	Other reserves	Accumulated loss	Total equity
At 31 December 2017	10,764,236	**24,959,537**	**-**	**(19,549,284)**	**16,174,489**
Effect of IFRS 9	-	-	-	554,139	**554,139**
At 1 January 2018 (restated)	**10,764,236**	**24,959,537**	**-**	**(18,995,145)**	**16,728,628**
Profit for the year	-	-	-	1,976,585	**1,976,585**
Other comprehensive loss for the year	-	-	(1,601,611)	-	**(1,601,611)**
Total comprehensive income for the year	**-**	**-**	**(1,601,611)**	**1,976,585**	**374,974**
Dividends to shareholders	-	-	-	(25,000)	**(25,000)**
At 31 December 2018	**10,764,236**	**24,959,537**	**(1,601,611)**	**(17,043,560)**	**17,078,602**
Profit for the year	-	-	-	2,595,276	**2,595,276**
Other comprehensive income for the year	-	-	101,840	-	**101,840**
Total comprehensive income for the year	**-**	**-**	**101,840**	**2,595,276**	**2,697,116**
Share buyback (Note 17)	(4,628,099)	(3,371,901)	-	-	**(8,000,000)**
At 31 December 2019	**6,136,137**	**21,587,636**	**(1,499,771)**	**(14,448,284)**	**11,775,718**

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General Director
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Chief Accountant
Ketevan Vanishvili

The notes on pages 9-30 form an integral part of these separate financial statements.

JSC GALT AND TAGGART
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2019
(GEORGIAN LARI)

	Notes	2019	2018
Cash flow from operating activities			
Profit before tax for the year:		2,595,276	1,976,585
Depreciation and amortization	5, 7, 23	353,160	105,370
Net gain from fair value adjustment on investment property	6	(143,000)	-
Impairment of loan issed		-	460,348
Net foreign exchange gain		(549,880)	(356,265)
Write-off of property and equipment		-	3,743
Write-off of intangible assets	7	4,496	-
Interest income	25	(1,711,358)	(2,502,788)
Interest expense	25	121,104	68,183
Cash inflow / (outflow) from operating activities before changes in operating assets and liabilities		**669,798**	**(244,824)**
Increase/(decrease) in financial assets at fair value through profit or loss		(2,193,826)	2,036,961
Increase in prepayments		(305,564)	(226,970)
Decrease in accounts receivables		557,095	491,514
Increase/(decrease) in accounts payable		15,337,701	(12,706,958)
Cash inflow / (outflow) from operating activities before interest and taxation		**14,065,204**	**(10,650,277)**
Interest received		1,662,666	387,173
Interest paid		(59,239)	(69,934)
Income taxes paid		(3,164)	-
Net cash inflow / (outflow) from operating activities		**15,665,467**	**(10,333,038)**
Cash flow from investing activities			
Investment in associates	9	(333,336)	-
Purchase of property and equipment	5	(115,224)	(84,553)
Purchase of intangible assets	7	(139,870)	(287,683)
Loans issued	12	(418,065)	-
Receipts from loans issued		8,188,933	226,256
Investment in financial assets at (FVTOCI)		-	(489,760)
Sale of financial assets at (FVTPL)		-	126,475
Net cash inflow / (outflow) from investing activities		**7,182,438**	**(509,265)**
Cash flow from financing activities			
Share buyback	17	(8,000,000)	-
Proceeds from bank loans		4,462,994	-
Repayment of bank loans		(2,927,474)	(2,348,819)
Repayments of principal portion of lease liabilities		(165,154)	
Dividends paid		-	(25,000)
Net cash outflow from financing activities		**(6,629,634)**	**(2,373,819)**
Net Increase / (Decrease) in cash and cash equivalents		**16,218,271**	**(13,216,122)**
Cash and cash equivalents at the beginning of the year	15, 16	**15,414,867**	**28,940,478**
Effect on changes in foreign exchange rate on cash and cash equivalents		(403,600)	(309,489)
Cash and cash equivalents at the end of the year	15, 16	**31,229,538**	**15,414,867**

Approved for issue and signed on behalf of the management on 27 March 2020.

General Director
Irakli Kirtava

Managing Director
Otar Sharikadze

Chief Accountant
Ketevan Vanishvili

JSC GALT AND TAGGART
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2019
(GEORGIAN LARI)

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General Director
Irakli Kirtava

Managing Director
Otar Sharikadze

Chief Accountant
Ketevan Vanishvili

1. PRINCIPAL ACTIVITY

JSC Galt and Taggart (the "Company") was established on 19 December 1995 under the laws of Georgia. The Company operates under a brokerage license issued by the National Bank of Gerogia ("NBG"; the Central Bank of Georgia) on 10 September 2014. During the years 2000-2009 the Company operated as "Galt and Taggart Securities", during 2009-2014 operated as "BG Capital". And since 26 August 2014, the Company operates under the name – JSC "Galt and Taggart". (Registration number - 211359206).

The Company provides brokerage, investing banking, consulting and assets management services. Morever the Company provides the service of financial agent in debt and equity instrument's private and public placement, consulting in corporate restructuring process, merger & acquistion transactions, etc. The Company is pioneer of investment research in Georgian market and continues to develop local capital markets bringing corporate advisory, debt and equity capital markets research and brokerage services under one brand. In 2013, the Company founded the branch in Azerbaijan, which does not operate since 28 October 2015. The Company's registered legal address is 79 Agmashenebeli ave, Tbilisi, 0102, Geoergia.

The Company is fully owned subsidiary of JSC "BG Financial" as at 31 December 2018 and 2019, the Company's ultimate parent is "Bank of Georgia Group" PLC.

2. BASIS OF PREPARATION

GENERAL

These separate financial statements (the "Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and investment securities, derivative financial assets and liabilities, investment properties, and revalued property and equipment.

These separate financial statements are presented in Georgian Lari ("GEL" or "Lari").

GOING CONCERN

The Board of Directors of the Company has assessed the Company's ability to continue as a going concern and is satisfied that it has the resources to continue its business operations. Furthermore, mangamenet is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern for the for the foreseeable future.

As described in note 29, since the beginning of 2020, the coronavirus (COVID-19) has become widespread worldwide, which has had a significant impact on both the global and local financial markets. However, it has not had any significant direct consequences to the Company as of the date of these financial statements. The management believes that the going concern assumption is appropriate and the Company is able to continue operational activities for a period at lease 12 months from the date of approval of the financial statements.

Therefore, the financial statements are prepared on a going concern basis.

SUBSIDIARIES AND ASSOCIATES

The separate financial statements as at 31 December 2019 and 31 December 2018 include investments in following subsidiaries and associates:

	Proportion of voting rights and ordinary share capital held			
Subsidiaries	**31 December 2019**	**31 December 2018**	**Country of incorporation**	**Date of Registration**
Galt and Taggart Holding Limited	100%	100%	Nicosia, Cyprus	3 July 2006

2. BASIS OF PREPARATION (CONTINUED)

Investments in subsidiaries

Investments in subsidiaries, including entities acquired through transactions with entities under common control, are recognized at cost less any impairment losses (if any).

BASIS OF SEPARATE FINANCIAL STATEMENTS

The Company does not present consolidated financial statements as it meets all of the following conditions under IFRS 10 – "Consolidated Financial Statements":

- Company is a wholly-owned subsidiary of another entity;
- Company's equity instruments are not traded in a public market;
- Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market, and
- Company's ultimate parent produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated.

Investments in associates

Associates are entities in which the Company generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. As the Company does not prepare consolidated financial statements investments in associates are not accounted under equity method and are recognized at acquisition cost less impairment losses.

	Proportion of voting rights and ordinary share capital held			
Associates	**31 December 2019**	**31 December 2018**	**Country of incorporation**	**Date of registration**
JSC Tbilisi Stock Exchange	24%	21.59%	Tbilisi, Georgia	7 May 2015
JSC Georgian Stock Exchange	15,33%	15,33%	Tbilisi, Georgia	12 January 1999

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES

Principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the Company's separate financial statements are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The Company's functional currency is the Georgian Lari ("GEL"). The presentational currency of the Company's financial statements is the Georgian Lari.

FAIR VALUE MEASUREMENT

The Company measures financial instruments, such as trading and investment securities, derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3.SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Financial instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL ASSETS

All financial assets, other than equity instruments and derivatives, are measured by the company based on the entity's business model for managing the financial assets and contractual cash flow charactetistics on these instruments.

Financial assets are classified according to the following categories:

- fair value through profit or loss (FVPL);
- fair value through other comprehensive income (FVOCI) with recycling to profit or loss upon disposal for debt instruments;
- fair value through other comprehensive income (FVOCI) withought recycling to profit or loss for equity instruments; and
- amortised cost.

MEASUREMENT OF FINANCIAL INSTRUMENTS AT INITIAL RECOGNITION

When financial instuments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaaction price.

Financial instruments measured at amortised cost

The Company measures loans to customers and other financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments at FVOCI

The Company measures debt investment securities at FVOCI when both of the following categories are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows, selling financial assets and holding such financial instruments for liquidity management purposes; and
- The contractual terms of the financial asset meet the SPPI test.

Financial assets at FVTPL

A financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

3.SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

Imprairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as:

- financial liabilities at fair value through profit or loss; or
- financial liabilities at amortized cost

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

3.SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If not, they are presented as non-current liabilities. Currently, all of the Company's trade payables are expected to be settled within one year from the balance sheet date and are classified as current.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Taxation

Income Tax is determined in compliance with the tax legislation of Georgia. According to current tax legislation, only owners' distributed profit is subjected to taxation and reinvested profit is not charged with income tax (Excluding exceptions provided for in Article 981, Article 309, Article 99 and Article 103 of the Tax Code of Georgia). Tax income liability is calculated as 15/85 from distributed dividend amount.

Due to the specificity of the charging tax system, companies registered in Georgia do not have temporary differences anymore of Assets / liabilities in tax terms and between their carrying values, thus the deferred income tax asset and liabilities are no longer generated.

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

Investment properties

Investment property is land or building or a part of a building held to earn rental income or for capital appreciation and which is not used by the Company.
Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Company's investment property is determined on the basis of various sources including reports of independent appraisers, who hold a recognised and relevant professional qualifications and who have recent experience in valuation of property of similar location and category.

Earned rental income is recorded in the separate statement of comprehensive income within net other income. Gains and losses resulting from changes in the fair value of investment property is recorded in the separate statement of comprehensive income within gain on investment property revaluation.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss when incurred.

If an investment property becomes owner-occupied, it is reclassified to property and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

PROPERTY, PLANT AND EQUIPMENT

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

3.SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group of Property and Equipment	Useful life (Year)
Computers and equipment	5
Furniture and Fixtures	5

Leasehold improvements are depreciated over the life of the related leased asset or the expected lease term if lower.

Right-of-use assets are presented combined with property, plant and equipment in the separate statement of financial position. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The assets' residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end. Costs related to repairs and renewals are charged when incurred and included in other operating expenses.

INTANGIBLE ASSETS

The Company's intangible assets include computer software and licences. Intangible aassets acquired separately are measured on initial recognition at cost. Following intial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The economic lives of intangible assets are assessed to be finite and amortised over 5-10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at each financial year-end. Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

SHARE-BASED PAYMENT TRANSACTIONS

Employees (including senior executives) of the Company receive share-based remuneration, whereby they render services and receive equity instruments as consideration for the services provided.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognised together with the corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for the awards that do not ultimately vest except for the awards where vesting is conditional upon market conditions which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the sharebased payment arrangement, or is otherwise beneficial to the employee as measured at the date of the modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as the replacement award on the date that it is granted, the cancelled and the new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

EQUITY

Issud capital and additional paid-in capital

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Other reserves

Other reserves represent the results of the Companys' comprehensive income. For better presentation, the Company separated other reserves with accumulated losses in the separate statement of changes in equity.

3.SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorised for issue.

CONTINGENCIES

Contingent liabilities are not recognised in the separate statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the separate statement of financial position but disclosed when an inflow of economic benefits is probable.

INCOME AND EXPENSE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific regonition criteria must also be met before revenue and expense are recognised:

Fee and commission income

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities – are recognised upon satisfaction of the performance obligations on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognised after fulfilling the corresponding criteria.

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Dividend income

Dividend revene is recognised when the Company's right to receive the payment is established.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into GEL at official exchange rates declared by the National Bank of Georgia ("NBG") and effective as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the profit or loss within foreign exchange gain, net.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss

on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in the income statement.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBG exchange rate on the date of the transaction are included in the profit or loss within foreign exchange gain, net.

3.SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The official exchange rates at 31 December 2019 and 31 December 2019 were as follows:

	31 December 2019	31 December 2018
1 USD/GEL	2.8677	2.6766
1 EUR/GEL	3.2095	3.0701
1 CHF/GEL	2.9488	2.7268
1 CAD/GEL	2.1939	1.9674
1 GBP/GEL	3.7593	3.3955

Average exchange rates for those years are presented below:

	2019	2018
Average USD/GEL	2.819	2.535
Average EUR/GEL	3.155	2.991
Average CHF/GEL	2.837	2.591
Average CAD/GEL	2.125	1.956
Average GBP/GEL	3.596	3.381

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company has not early adopted any standards, interpretations or amendments issued by IASB that have been issued but are not yet effective.

New standards

The company has used the new accounting policies that take effect on January 1, 2019:

IFRS 16 Leasing

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leasing

The Company as a leasee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease.

A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Company assesses whether the contract meets key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

IFRS 16 requires lessees to account for all leases under a single on- balance sheet model in a similar way to finance leases under lAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less).

IFRS 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company does not applied the initial direct costs in assessing the right-of-use asset at the date of IFRS 16, January 1, 2019. The Company also recognizes lease assets as the amount of the lease liability, which is adjusted for all pre-paid or accrued lease payments related to the lease reflected in the financial statement.

Instead of discussing the impairment of the right-of-use asset at the date of initial use of the standard, the lessee based on historical data analysed, whether the lease was leased prior to the date of initial use of the loss standard.

For a lease that was previously classified as a financial lease for the initial date of the implementation of standard, the carrying amount of the right-of-use asset and the lease liability will be the carrying amount of the leased asset and lease liability that they had directly before using the IAS 17. On the initial date of the implementation of IFRS 16, the company's incremental borrowing rate is 3.68%.
The Company has used past experience in determining lease terms, assessing the expectation of lease extension or early termination.

IAS 12- INCOME TAXES

The amendment to IAS 12 clarifies that the income tax consequences (if any) of dividends as defined in IFRS 9 (i.e. distributions of profits to holders of equity instruments in proportion to their holdings) must be recognised:

- At the same time as the liability to pay those dividends is recognised; and
- In profit or loss, other comprehensive income, or the statement of changes in equity according to where the entity originally recognised the past transactions or events that generated the distributable profits from which the dividends are being paid.

The amendment to IAS 12 is effective for periods beginning on or after 1 January 2019, although earlier application is permitted. Entity must apply the amendment to income tax consequences of dividends recognized on or after the beginning of the earliest comparative period presented.

IAS 28 – INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Clarification that investment objects will be valued at fair value through profit or loss for each investment. Respective amendments clarify, that:

- Any organization that is a new risky investment organization, or other relevant organization, can make an initial recognition, based on each investment assessed in associated and joint ventures at fair value through profits and losses.
- If any company that is not an investment company has a share in any associated or joint venture that is an investment company, that company may use the equity method to decide whether to maintain a fair value used by an investment association or an investment firm affiliated with a subsidiary towards a company or joint venture. This decision will be made separately for each investment association and joint venture from dates, which will be later: An investment association or joint venture is initially recognized:

    - Investment association or joint venture is initially recognized;
    - Associated company or joint venture will become an investment company; And;
    - Investment association or joint venture becomes a parent company for the first time.

5. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS

	Computer equipment	Furniture and fixtures	Leasehold improvements	Right-of-use assets (office)	Total
Cost					
At 31 December 2017	**216,128**	**197,261**	**146,287**	**-**	**559,676**
Additions	25,621	2,200	56,732	-	**84,553**
Write-off	(7,290)	-	-	-	**(7,290)**
At 31 December 2018	**234,459**	**199,461**	**203,019**	**-**	**636,939**
Effect of adoption of IFRS 16 as at 1 January 2019	-	-	-	273,214	**273,214**
Additions	42,249	13,553	59,422	-	**115,224**
At 31 December 2019	**276,708**	**213,014**	**262,441**	**273,214**	**1,025,377**
Accumulated depreciation					
At 31 December 2017	**89,832**	**79,039**	**82,298**	**-**	**251,169**
Depreciation	28,782	33,769	37,453	-	**100,004**
Write-0ff	(3,547)	-	-	-	**(3,547)**
At 31 December 2018	**115,067**	**112,808**	**119,751**	**-**	**347,626**
Depreciation	48,884	36,042	51,951	163,569	**136,876**
At 31 December 2019	**163,951**	**148,850**	**171,702**	**163,569**	**484,502**
Net carrying amount					
At 31 December 2018	**119,392**	**86,653**	**83,268**	**-**	**289,313**
At 31 December 2019	**112,757**	**64,164**	**90,739**	**109,645**	**377,305**

As of 31 December 2019, the Company's fixed assets were not pledged by a mortgage.

On 15 January 2016 the Company entered into an operating lease for one year period with JSC "Bank of Georgia" in which the Company is presented as a leassee. According to the contract, the Company received 657.27 square metres of office space, where it currently operates. This is a non-cancellable lease contract, however can be renewed in the furute. Montly payments equal to USD 5,258 equivalent in GEL.

Net carrying amount at the end of the year and depreciation exense of Right-of-use assets for the year is GEL 109,645 and GEL 163,569, respectively. Considering the fact that the Company did not have the recent borrowing to obtain an asset of a similar value to the Right-of-use asset in a similar economic environment with a similar term as a lease and the source of funding of the Company is closely linked to the Group's financial resources, for the calculation of discounted lease payments incremental borrowing rate (3.68%) of the Company/Group is used. Lease liability and interest expense at the end of the year is GEL 120,886 and GEL 6,737, respectively.

6. INVESTMENT PROPERTY

	2019	2018
At 1 January	**1,362,000**	**1,362,000**
Net gain from fair value adjustment on investment property	143,000	-
At 31 December	**1,505,000**	**1,362,000**

The investment property is an office space located in №7 Chavchavadze Ave., Tbilisi, Georgia. The investment property is measured at fair value. The property is revalued if there is evidence that from the last valuation there was a significant change in market price.

There was a significant change from the last valuation in market price, as a result the fair value of the property increased as of 31 December 2019. Independent certified appraiser LTD "Goergian Valuation Company" (certificate №-A-0189) assessed the fair value of the property by market method that is level 3 valuation level.

According to the management's and external (Colliers Internatinal) office space price research in Tbilisi, Georgia there was no significant change in market price during 2018, therefore the Company's investment property was not revalued.

7. INTANGIBLE ASSETS

Cost	Licenses and patents	Software systems	Total
At 31 December 2017	**239,377**	**47,657**	**287,034**
Additions	12,334	275,483	**287,817**
Write-off	(135)	-	**(135)**
Transfer	14,195	(14,195)	**-**
At 31 December 2018	**265,771**	**308,945**	**574,716**
Additions	-	139,870	139,870
Write-off	(4,496)	**-**	(4,496)
At 31 December 2019	**261,275**	**448,815**	**710,090**

Amortization	Licenses and patents	Software and systems	Total
At 31 December 2017	**114,109**	**25,287**	**139,396**
Amortization	2,439	2,927	**5,366**
Write-off	-	-	**-**
At 31 December 2018	**116,548**	**28,214**	**144,762**
Amortization expense	27,662	25,052	**52,714**
Write-off	-	-	**-**
At 31 December 2019	**144,210**	**53,266**	**197,476**
Net carrying amount			
At 31 December 2018	**149,223**	**280,731**	**429,954**
At 31 December 2019	**117,065**	**395,549**	**512,614**

In 2018, the Company was implementing a new accounting program Microsoft Dynamics AX 2012. The Coapny has been testing the new software since the beginning of 2019 and is planning to switch to a new accounting system fully.

8. INVESTMENTS IN A NON-CONSOLIDATED SUBSIDIARY

	December 31, 2019	December 31, 2018
Balance		
Galt and Taggart Holding Limited (Cyprus)	1,022,000	2,623,611
Total Investments in non-consolidated subsidiaries	**1,022,000**	**2,623,611**
The movement in the net value of investment (through OCI)	59,000	(1,601,611)
Balance at 31 December	**1,081,000**	**1,022,000**

LTD “Galt and Taggart Holding” (Registration number – 179498) was registered on 3 July 2006. The address of the company is - Makariou III 58, IRIS TOWER, 7-th floor, Flat/Office 702 P.C. 1075, Nicosia, Cyprus. The investment in LTD “Galt and Taggart Holding” does not represent the operating activity of the Company and has no effect on the current activities of the Company. Futhermore, this investment is related to the strategic business operations of the parent company that invested in LTD “Galt and Taggart Holding” through the Company. Most recent investments in LTD “Galt and Taggart Holding” was made in April 2015, which amounted to GEL 22.3 million.

As of 31 December 2019, the impairment test conducted by the management of the Company did not reveal investment impairment indicator. Non-audited financial information of non-consolidated subsidiary is presented below:

Georgian Lari	December 31, 2019	December 31, 2018
Total Assets	1,081,000	1,022,461
Total Liabilities	-	-
Total Equity	1,081,000	1,022,461

9. INVESTMENT IN ASSOCIATES

	December 31, 2019	December 31, 2018
Tbilisi Stock Exchange (2019: 24% shares in equity, 2018: 21.59%)	1,151,678	818,342
Georgian Stock Exchange (15.33% shares in equity as at 2018 and 2019)	110,250	110,250
Total Investments in associates	**1,261,928**	**928,592**

In 2019, the Company purchased 24,969 (twenty-four thousand ninehundred and sixty-nine) shares within the new issue of JSC "Tbilisi Stock Exchange" for GEL 333,336, each worth GEL 13.35.

As of 31 December 2019, the impairment test on investment in associates did not reveal the impairment indicators. The Company does not recognize investment in associates by equity method as entities are consolidated in the financial statements of the parent company. (Note 2 and Note 3).

Non-audited financial information of investments in associates is presented below:

31 December 2019	**Tbilisi Stock Exchange**	**Georgian Stock Exchange**
Total Assets	3,501,312	567,197
Total Liabilities	15	142,104
Total Equity	3,501,297	425,093

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
Balance at 1 January	535,320	-
Additions	-	535,320
Effect on revaluation	42,840	-
At 31 December	**578,160**	**535,320**

The Company owns 4 preferred stock and earns income in the form of dividens.

Other comprehensive income also includes the movements in the net value of investment in non-consolidated subsidiary. These changes are accumulated in other reserves, as is presented below:

	2019	2018
At 1January	(1,601,611)	-
Movements during the year, including:	**101,840**	**(1,601,611)**
Investments in non-concolidated subsidiary	59,000	(1,601,611)
Other financial assets at fair value through other comprehensive income	42,840	-
Other reservs as of 31 December	**(1,499,771)**	**(1,601,611)**

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019	December 31, 2018
Current Financial Assets at Fair Value throught profit or loss	85,134	112,479
Debt Instruments	7,087,443	4,364,319
Total Financial Assets at Fair Value through profit or loss	**7,172,577**	**4,476,798**

The balance of debt instruments include accrued coupon receivable.

12. LOANS ISSUED

	December 31, 2019	December 31, 2018
Short-term loan	-	8,378,677
Long-term loan	473,014	-
Total Loans issued	**473,014**	**8,378,677**

At June 20, 2019, the Company signed mezzanine loan agreement with other entity and according to the agreement issued first tranche of USD 150,000. Annual interest rate of the loan is 18%, which capitalizes monthly. Total issued loan (both first and second tranches (no more than USD 700,000) and accrued interest should be fully paid at the end of year 5 starting from the date of the first tranche.

Obligations and collaterals defined in the loan agreement:

- Pledged and mortgaged real estate and other kinds of movable assets to be purchased/constructed through the first tranche of the loan as a guarantee of the Company.
- 100% shares of the borrower and founder's personal guarantee.
- Providing of the financial information (Total assets, statement of financial position, statement of profit or loss, statement of cash flows) no later than the date of 25th of each months.
- Providing a review of interim and annual audited financial statements.
- Providing annual budgets and business plans no later than 1st of December of each year.

13. PREPAYMENTS

	December 31, 2019	December 31, 2018
Prepaid salaries	3,125	11,559
Prepaid Bonus	985,078	642,793
Prepaid Taxes	7,246	2,136
Other prepayments	50,243	83,640
Total Prepayments	**1,045,692**	**740,128**

Other prepayments include BOGG (continuation of BGEO) stocks transferred to employees, which is refundable in case of leaving the job. Issued share bonuses are recognised as obligation toward the employees and accounted for a prepaid bonuses, prepaid bonuses are recognised as expenses proportionally to the specified period.

14. ACCOUNTS RECEIVABLE

	December 31, 2019	December 31, 2018
Due from clients	301,870	152,339
Due from counterparties	820,773	340,759
Other receivable	47,833	81,298
Less: Allowance for impairment	(84,036)	-
Total Accounts Receivable	**1,086,440**	**574,396**

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

Changes in allowance for impairment losses are presented in General and administrative expenses.

15. CASH AND CASH EQUIVALENTS

Consists of cash and cash equivalents in banks in different currencies:	December 31, 2019	December 31, 2018
Geoergian Lari (GEL)	370,724	105,037
US Dollar (USD)	701,135	362,188
EURO (EUR)	26,140	12,170
Great Britain Pound Sterling (GBP)	2,397	48,204
Swiss Franc (CHF)	2,612	1,320
Other Currency	7,793	1,068
Total cash and cash equivalents	**1,110,801**	**529,987**

16. CLIENT'S CASH AND CASH EQUIVALENTS

Client's cash and cash equivalents consists of client's cash that are on nominal bank accounts and are used to perform trading operations on behalf of client's instructions.

	December 31, 2019	December 31, 2018
Georgian Lari (GEL)	9,095,717	5,823,143
US Dollar (USD)	15,292,885	3,655,275
EURO (EUR)	1,233,451	2,520,454
Great Britain Pound Sterling (GBP)	4,072,617	2,686,448
Swiss Franc (CHF)	401,828	196,328
Other Currency	22,239	3,232
Total client's cash and cash equivalents	**30,118,737**	**14,884,880**

These funds are also recognised as amounts due to clients.

17. ISSUED CAPITAL

Nominal value of each ordinary share is one (1) GEL	December 31, 2019	December 31, 2018
Authorised Capital	20,000,000	20,000,000
Outstanding shares	(13,863,863)	(9,235,764)
Issued and fully paid	**6,136,137**	**10,764,236**

The nominal value of the shares of the company is – 1 lari. In 2019, the Company bought back 4,628,099 ordinary shares with GEL 8,000,000. Therefore, Additional paid-in capital decreased by GEL 3,371,901.

After the shares buyback the issued number of the Company's share is – 6,136,137 shares (2018: 10,764,236 shares) and outstanding shares as of 31 December 2019 – 13,863,863 shares (2018: 9,235,764 shares).

Additional paid-in capital consists of the shareholders capital contributions in excess of nominal value of the shares, which was GEL 21,578,636 as of 31 December 2019 (2018: GEL 24,959,537).

18. DEFERRED INCOME

	December 31, 2019	December 31, 2018
Contract Price	282,965	2,110,524
Earned Revenue During the Period	(222,989)	(1,827,559)
Totala deferred income	**59,976**	**282,965**

19. LOANS RECEIVED

	December 31, 2019	December 31, 2018
Long-Term Debt	723,874	-
Current Portion of Long-Term Debt	-	663,797
Short-term borrowings	1,677,627	-
Accrued Interest	12,834	10,821
Total Loans Received	**2,414,335**	**674,618**

Long-term bank loan (USD 248,000) is received on 7 Ocober 2019 with the maturity date until 7 October 2022 and annual interest rate 7% within the first year of the loan and 5% +6 months USD LIBOR within remaining period. Loan interest is paid in every 6 months, whereas principal is payable on loan maturity date. Long-term bank loan is secured by 320 bonds issued by JSC "BG Capital", with nominal value of USD 1,000 each.

20. ACCOUNTS PAYABLE

	December 31, 2019	December 31, 2018
Amounts due to counterparties	688,737	314,761
Accrued cash bonus payable	1,173,365	984,000
Oher payables	23,904	22,847
Total Accounts Payable	**1,886,006**	**1,321,608**

The carrying value of accounts payable corresponds to their fair value at the reporting date. Amounts paid for transactions and services include the amounts generated from trading by the clients, which will be paid in the following period.

21. FEE AND COMMISSION INCOME AND EXPENSE

	2019	2018
Brokerage fees	1,255,930	1,291,818
Commission income from storage of securities	442,292	370,598
Commission income from trading system	1,868,456	1,065,231
Other commission income	80,191	6,413
Total Fee and commission income	**3,646,869**	**2,734,060**
Fee and commission expense	(2,650,178)	(2,826,990)
Net fee and commission income / (expense)	**996,691**	**(92,930)**

The Company uses the international trading platform for trading, the commission for service in 2019 was GEL 1,228,231 (2018: GEL 1,927,981). From custody service, commission in 2019 was GEL 341,519 (2018: GEL 316,322), and the non-resident brokerage service commission in 2019 was GEL 358,970 (2018: GEL 414,214).

22. INCOME FROM INVESTMENT BANKING AND RESEARCH

	2019	2018
Income from Bonds Placement	2,989,594	982,822
Financial Income	935,111	2,548,730
Total income from investment banking	**3,924,704**	**3,531,552**
Income from Research	194,418	90,166
Other income	184,885	56,782
Total income from investment banking and research	**4,304,007**	**3,678,500**

The financial income includes revenue from refinancing service as well as placement service, in 2019 was GEL 222,989 (2018: GEL 1,827,559).

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Annual bonus	1,973,727	1,730,394
Salaries (excluding annual bonus)	1,781,413	1,546,890
Depreciation and amortisation*	353,160	105,370
Sales & marketing expenses	123,051	67,597
Allowance for doubtfull receivables	84,036	-
Consultation and other professional fees	41,616	106,314
Business Trip	29,815	33,662
Rent and utilities*	26,763	182,566
Representative expenses	22,065	33,297
Taxes other than income	20,590	19,848
Insurance expenses	7,481	-
Other administrative expenses	150,992	129,635
Total general and administrative expenses	**4,614,709**	**3,955,573**

***** As disclosed in note 4, the Company adopted IFRS 16 on 1 January 2019 and recognised relevant right-of-use assets, which explains the drop in rent and utilities expenses.

24. NET GAIN / (LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
Realized loss from trading	(92,407)	(71,354)
Gain / (Loss) from revaluation	(273,099)	115,827
Net gain / (loss) from Financial Assets at Fair value through profit or loss	**(365,506)**	**44,473**

25. INTEREST INCOME AND EXPENSE

	2019	2018
Commercial loans	240,639	1,434,085
Interest-bearing securities	1,121,873	681,530
Bank deposits	348,846	387,173
Total Interest income	**1,711,358**	**2,502,788**
Total Interest expense	(121,104)	(57,362)
Net Interest Income	**1,590,254**	**2,445,426**

The interest expense on loans from commercial banks in 2019 was GEL 114,376 (2018: GEL 55,369).

26. NET FOREIGN EXCHANGE GAIN

	2019	2018
Gain from Foreign exchange rate	12,251,100	8,330,420
Loss from Foreign exchange rate	(11,701,220)	(7,974,156)
Total net foreign exchange gain	**549,880**	**356,265**

27. RELATED PARTY TRANSACTIONS

JSC BG Financial, member of BOGG (continuation of BGEO), holds 100% of the ordinary shares of the Company with voting rights. Bank of Georgia Group PLC is the ultimate controlling party of the BOGG Group. BOGG Group produces and publishes consolidated financial statements available for public use.

Transactions with JSC „Bank of Georgia“:

AMOUNT OF TRANSACTIONS	**2019**	**2018**
Fee and commission income	29,571	8,967
Fee and commission expenses	(528,326)	(326,503)
Rent and other operating expenses	-	(203,716)
Interest expense	(2,577)	(2,042)
Interest income	309,787	-
Other Operating Expense	(337,150)	-

Transactions with entities under common control:

AMOUNT OF TRANSACTIONS	**2019**	**2018**
Fee and commission income	251,972	82,365
Fee and commission expenses	(3,702)	(1,400)
Interest expense	-	(1,627)
Insurance expense	-	(17,123)
Other operating Income	364,440	398,722
Other operating Expense	-	(370,605)

Balance with JSC „Bank of Georgia“:

	December 31, 2019	**December 31, 2018**
Cash and Cash Equivalents	21,380,256	10,098,204
Accounts receivable	5	3,329
Accounts payable	(39,621)	(120,135)

Balance with entities under common control:

	December 31, 2019	**December 31, 2018**
Financial Assets at Fair Value through profit or loss	1,267,964	2,186,575
Accounts receivable	338,598	-
Accounts payable	(337,354)	(837)

The following table illustrates key management compensation during the period:

Key management compensation:	**December 31, 2019**	**December 31, 2018**
Salaries, Bonuses and Other Short-term Benefits:	716,564	739,079

28. INFORMATION ON FINANCIAL RISKS

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 no 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.
- **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***

The Company's management in cooperation with the Company's operating units carries out risk management. 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 laiblities recorded by category:

Financial Assets	**December 31, 2019**	**December 31, 2018**
Cash and Cash Equivalents	1,110,801	529,987
Client's Cash and Cash Equivalents	30,118,737	14,884,880
Accounts Receivable	1,086,440	574,396
Loans issued	473,014	8,472,468
Financial Assets at Fair Value through other comprehensive income	578,160	535,320
Financial Assets at Fair Value through profit or loss	7,172,577	4,476,798
TOTAL FINANCIAL ASSETS	**40,539,729**	**29,473,849**
FINANCIAL LIABILITIES	**December 31, 2019**	**December 31, 2018**
Accounts Payable	1,833,616	1,321,608
Amounts due to clients	30,118,742	14,884,872
Short-term borrowings	1,690,461	674,618
Current income tax payable	-	3,171
TOTAL FINANCIAL LIABILITIES	**33,642,819**	**16,884,269**
Difference between financial assets and liabilities	**6,896,910**	**12,589,580**

28. INFORMATION ON FINANCIAL RISKS (CONTINUED)

The following table provides an analysis of assets 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:

	As of December 31, 2019		
	Level 1	Level 2	Level 3
Fair Value of Assets			
Cash and Cash Equivalents	1,110,801	-	-
Client's Cash and Cash Equivalents	30,118,737	-	-
Financial Assets at Fair Value through profit or loss	7,172,577	-	-
Loans issued	-	-	473,014
Accounts Receivable	-	-	1,086,440
Financial Assets at Fair Value through other comprehensive income	578,160	-	-
Investment properties	-	-	1,505,000
Total as of December 31, 2019	**38,980,275**	**-**	**3,064,454**

	As of December 31, 2018		
	Level 1	Level 2	Level 3
Fair Value of Assets			
Cash and Cash Equivalents	529,987	-	-
Client's Cash and Cash Equivalents	14,884,880	-	-
Financial Assets at Fair Value through profit or loss	4,476,798	-	-
Loans issued	-	-	8,472,468
Accounts Receivable	-	-	709,655
Financial Assets at Fair Value through other comprehensive income	535,320	-	-
Investment properties	-	-	1,362,000
Total as of December 31, 2018	**20,426,985**	**-**	**10,544,123**

The Company does not have any financial liability classified in the category "at fair value through profit or loss". Cash and cash equivalents presented above contains the client's funds. (see note 16)

Credit Risk

The company's maximum credit risk is shown in following table:

	Note	**December 31, 2019**	**December 31, 2018**
Cash and Cash Equivalents	15	1,110,801	529,987
Client's Cash and Cash Equivalents	16	30,118,737	14,884,880
Loans issued	12	473,014	8,472,468
Accounts Receivable	14	1,086,440	574,396
Total exposure to credit risk		**32,788,992**	**24,461,731**

Cash and cash equivalents balances represent bank balances and short-term deposits witha 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 financial assets at FVPL and FVOCI are in the form of investments in equity securities and therefore they have no exposure to credit risk.

28. INFORMATION ON FINANCIAL RISKS (CONTINUED)

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 of the Company's financial assets and liabilities as at 31 December 2019 and 31 December 2018:

31 December 2019

	Less than 1 year	**1 – 5 years**	**Over 5 years**	**Total**
Cash and Cash Equivalents	1,110,801	-	-	1,110,801
Client's Cash and Cash Equivalents	30,118,737	-	-	30,118,737
Financial Assets as at Fair Value through profit or loss	7,172,577	-	-	7,172,577
Loans issued	-	473,014	-	473,014
Accounts Receivable	1,086,440	-	-	1,086,440
Financial Assets at Fair Value through other comprehensive income	-	578,160	-	578,160
TOTAL FINANCIAL ASSETS	**39,488,555**	**1,051,174**	**-**	**40,539,729**
Loans received	1,690,461	723,874	-	2,414,335
Amounts due to clients	30,118,737	-	-	30,118,737
Accounts Payable	1,833,616	-	-	1,833,616
TOTAL FINANCIAL LIABILITIES	**33,642,814**	**723,874**	**-**	**34,366,688**
Liquidity Risk	**5,845,741**	**327,300**	**-**	**6,173,041**

31 December 2018

	Less than 1 year	**1 – 5 years**	**Over 5 years**	**Total**
Cash and Cash Equivalents	529,987	-	-	529,987
Client's Cash and Cash Equivalents	14,884,880	-	-	14,884,880
Financial Assets as at Fair Value through profit or loss	4,476,798	-	-	4,476,798
Loans issued	8,472,468	-	-	8,472,468
Accounts Receivable	574,396	-	-	574,396
Financial Assets at Fair Value through other comprehensive income	-	535,320	-	535,320
TOTAL FINANCIAL ASSETS	**28,938,529**	**535,320**	**-**	**29,473,849**
Loans received	674,618	-	-	674,618
Amounts due to clients	14,884,872			14,884,872
Accounts Payable	1,321,608	-	-	1,321,608
Current income tax payable	3,171	-	-	3,171
TOTAL FINANCIAL LIABILITIES	**16,884,269**	**-**	**-**	**16,884,269**
Liquidity Risk	**12,054,260**	**535,320**	**-**	**12,589,580**

28. INFORMATION ON FINANCIAL RISKS (CONTINUED)

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 vaule 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 currecny 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 insturemnts.

Financial Assets by Currency

Financial assets as at 31 December 2019 and 31 December 2018 are analysed by currency as follows:

31 December 2019

Financial Assets	GEL	US Dollars	Euros	GB Pounds	Swiss Franc	Other	Total
Cash and Cash equivalents and Client's Cash and cash equivalents	9,466,441	15,994,021	1,259,591	4,075,014	404,440	30,031	**31,229,538**
Accounts Receivable	283,321	294,748	16,586	487,080	1	4,705	**1,086,440**
Loans Issued	-	473,014	-	-	-	-	**473,014**
Financial Assets at Fair Value through other comprehensive income	-	578,160	-	-	-	-	**578,160**
Financial Assets at Fair Value through profit or loss	5,823,881	1,301,108	-	46,720	-	868	**7,172,577**
Total Financial Assets	**15,573,643**	**18,641,051**	**1,276,051**	**4,608,814**	**404,441**	**35,604**	**40,539,729**

31 December 2018

Financial Assets	GEL	US Dollars	Euros	GB Pounds	Swiss Franc	Other	Total
Cash and Cash equivalents and Client's Cash and Cash equivalents	5,928,180	4,017,463	2,532,624	2,734,652	197,647	4,301	**15,414,867**
Accounts Receivable	239,509	338,241	65,809	63,275	-	2,821	**709,655**
Loans Issued	-	8,472,468	-	-	-	-	**8,472,468**
Financial Assets at Fair Value through other comprehensive income	-	535,320	-	-	-	-	**535,320**
Financial Assets at Fair Value through profit or loss	2,222,129	2,196,188	36,550	21,931	-	-	**4,476,798**
Total Financial Assets	**8,389,818**	**15,559,680**	**2,634,983**	**2,819,858**	**197,647**	**7,122**	**29,609,108**

28. INFORMATION ON FINANCIAL RISKS (CONTINUED)

Financial Liabilities by Currency

The following table analysesthe breakdown of financial liabilities by currency:

	December 31, 2019	**December 31, 2018**
Georgian Lari	2,932,515	6,936,884
US Dollar	841,755	4,410,935
EURO	1,505	2,607,618
GB Pound	455,858	2,728,153
Other	16,318	200,679
Total Financial Liabilities	**4,247,951**	**16,884,269**

- A hypothetical 10% increase/decrease in the exchange rate of the GEL against the US Dollar would cut / increase 2019 profits after tax by GEL 1,779,930 (2018: GEL 812,181).
- A hypothetical 10% increase/decrease in the exchange rate of the GEL against the Euro would cut / increase 2019 profits after tax by GEL 127,467 (2018: GEL 200,200).
- A hypothetical 10% increase/decrease in the exchange rate of the GEL against the GB Pound would cut / increase 2019 profits after tax by GEL 415,296 (2018: GEL 44,664).

29. EVENTS AFTER THE REPORTING PERIOD

After the reporting period, on January 10, 2020, the Company paid received loan (Note 19) with GEL 723,874.

Since the beginning of 2020, the coronavirus (COVID-19) has become widespread worldwide and on 11 March 2020 the World Health Organization has declared the virus as a pandemic. The situation is changing quickly with widespread impacts. This has had a significant impact on both the global and local financial markets. However it has not had any significant direct consequences to the Company as of the date of these financial statements.