JSC GEORGIAN STOCK EXCHANGE

Consolidated Financial Statements
For the year ended December 31, 2020

And

Independent Auditors' Report

JSC GEORGIAN STOCK EXCHANGE
Consolidated Financial Statements
For the year ended December 31, 2020
All amounts are expressed in Georgian Lari (GEL)

CONTENTS

Statement of Management's Responsibility	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Cash Flows	7
Consolidated Statement of Changes in Equity	8

Notes to the Consolidated Financial Statements

1	General information	9
2	Summary of significant accounting policies	9
3	Critical accounting judgments and key sources of estimation uncertainty	19
4	Cash and cash equivalents	19
5	Held to maturity financial assets	21
6	Trade and other receivables	21
7	Property, plant and equipment	22
8	Intangible assets	22
9	Investment securities	23
10	Prepayments	23
11	Trade and other payables	24
12	Provision for salary and premium	24
13	Tax assets and liabilities	24
14	Equity	25
15	Commission and membership fees	25
16	Income from the services rendered	25
17	Employees salary and benefits	26
18	Other operating expenses	26
19	Finance income	26
20	Net foreign exchange gain / (loss)	27
21	Financial assets impairment reserve (expense) / recovery	27
22	Non-operating income	27
23	Related parties	27
24	Commitments and contingencies	29
25	Information on financial risks	30
26	Going concern consideration	33
27	Events after the reporting period	34

The last page of Financial Statements: 34

Statement of Management's Responsibility

Management of JSC Georgian Stock Exchange is responsible for the accompanying consolidated financial statements.

This responsibility includes:

- preparation of the consolidated financial statements in accordance with International Financial Reporting Standards;
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent;
- preparation of the consolidated financial statements on a going concern basis, unless circumstances make this inappropriate.

Management is also responsible for:

- creation, implementation and maintaining effective internal control system;
- keeping proper accounting records in compliance with local regulations;
- taking such steps that are reasonably open to them to safeguard the assets of the Group, and
- prevention and detection of fraud and other irregularities.

The consolidated financial statements for the year ended December 31, 2020 have been approved by the management and signed on its behalf:

Giorgi Paresishvili
General Director

Nino Kurdiani
Financial Director

JSC Georgian Stock Exchange

Date: March 31, 2021

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INDEPENDENT AUDITORS' REPORT
JSC Georgian Stock Exchange

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as of December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for our Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia; and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

INDEPENDENT AUDITORS’ REPORT (continued)

Auditors’ Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

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

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

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and, if any, and related disclosures made by management.

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

• Evaluate the overall presentation, structure and content of the consolidated financial statement, including the disclosures, and whether the consolidated financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Mikheil Abaiadze / Certified Auditor / F

Audit firm registration number: SARAS-F
Auditor's registration number: SARAS-A-

Date: March 31, 2021
Tbilisi, Georgia

Consolidated Statement of Financial Position

	Note	31-Dec-20	31-Dec-19
Cash and cash equivalents	4	1,705,351	1,515,820
Current portion of held to maturity financial assets	5	18,563	410,006
Trade and other receivables	6	122,999	72,045
Tax assets	13	27,965	20,014
Total current assets		**1,874,878**	**2,017,885**
Property, plant and equipment	7	51,529	28,519
Intangible assets	8	2,190,206	2,101,369
Held to maturity financial assets	5	197,688	173,149
Investment securities	9	54,085	54,085
Prepayments	10	942	24,494
Total non-current assets		**2,494,450**	**2,381,616**
Total assets		**4,369,328**	**4,399,501**
Trade and other payables	11	82,239	97,713
Provision for salary and premium	12	158,971	75,485
Tax liability	13	58,809	90,490
Dividends payable		162	610
Total current liabilities		**300,181**	**264,298**
Long-term liability	8	230,820	394,869
Total liabilities		**531,001**	**659,167**
Share capital	14	30,000	30,000
Share premium	14	117,452	117,452
Retained earnings		1,351,684	1,341,242
Minority interest		2,339,191	2,251,640
Total equity		**3,838,327**	**3,740,334**
Total liabilities and equity		**4,369,328**	**4,399,501**

Giorgi Paresishvili
General Director

Nino Kurdiani
Financial Director

JSC Georgian Stock Exchange

Date: March 31, 2021

Consolidated Statement of Comprehensive Income

	Note	2020	2019
Commission and membership fees	15	216,516	239,030
Income from the services rendered	16	756,466	408,776
Other operating income		4,077	11,218
Total income		**977,059**	**659,024**
Employees salary and benefits	17	(753,672)	(762,538)
Rent and utilities expense		(136,620)	(128,105)
Depreciation and amortization	7; 8	(49,914)	(29,935)
Consultation expense		(44,505)	(45,837)
Communication expense		(14,074)	(13,267)
Financial assets impairment reserve (expense) / recovery	21	(11,705)	5,163
Other operating expenses	18	(126,263)	(93,079)
Finance income	19	54,426	79,560
Non-operating income	22	32,244	983
Net foreign exchange gain / (loss)	20	171,017	57,187
Current year profit / (loss)		**97,993**	**(270,843)**
Comprehensive income / (loss) for the year		**97,993**	**(270,843)**
Attributable:			
To parent		**10,442**	**(191,931)**
To non-controlling interest		**87,551**	**(78,912)**
Total		**97,993**	**(270,843)**
Earnings / (loss) per share		**0.03**	**(0.09)**
Earnings / (loss) per share attributable to the parent entity holders		**0.00**	**(0.06)**

Giorgi Paresishvili
General Director

Nino Kurdiani
Financial Director

JSC Georgian Stock Exchange

Date: March 31, 2021

Consolidated Statement of Cash Flows

	Note	2020	2019
Receipts from customers		897,106	625,977
Payments to suppliers and employees		(963,786)	(1,082,219)
Interest received		48,867	78,793
Cash flows from operating activities		**(17,813)**	**(377,449)**
Redemption of held to maturity financial assets		429,996	593,422
Net increase in held to maturity financial assets		-	530,912
Purchase of intangible assets		(393,443)	(857,756)
Cash flows from investing activities		**36,553**	**266,579**
Receipts from Minority interest's contribution to equity		-	1,000,008
Cash flows from financial activities		**-**	**1,000,008**
Net increase / (decrease) for the year		**18,740**	**889,138**
Cash and cash equivalents at the beginning of the period		1,515,820	635,681
Effect of exchange rate changes on cash and cash equivalents		170,791	(8,999)
Cash and cash equivalents at the end of the period	**4**	**1,705,351**	**1,515,820**

Giorgi Paresishvili
General Director

Nino Kurdiani
Financial Director

JSC Georgian Stock Exchange

Date: March 31, 2021

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Retained earnings	Attributable to the Group	Non-controlling interest	Total equity
As at December 31, 2018	**30,000**	**117,452**	**1,275,343**	**1,422,795**	**1,588,373**	**3,011,168**
Net profit / (loss) for the year	-	-	(191,931)	**(191,931)**	(78,912)	**(270,843)**
Issue of shares	-	-	257,829	**257,829**	742,179	**1,000,008**
As at December 31, 2019	**30,000**	**117,452**	**1,341,242**	**1,488,694**	**2,251,640**	**3,740,334**
Net profit / (loss) for the year	-	-	10,442	**10,442**	87,551	**97,993**
As at December 31, 2020	**30,000**	**117,452**	**1,351,684**	**1,499,136**	**2,339,191**	**3,838,327**

Giorgi Paresishvili
General Director

Nino Kurdiani
Financial Director

JSC Georgian Stock Exchange

Date: March 31, 2021

1 General information

JSC Georgian Stock Exchange (the "Company") was founded on January 12, 1999 according to the legislation of Georgia. Legal address of the company is: 74a Ilia Chavchavadze Avenue, Tbilisi.

The main activity of the Company and its subsidiary companies (the "Group", see Note 2.5) are: collecting proposals on buying and selling of securities and other financial instruments, organizing public trades in accordance with the established rules and procedures, transactions and other price-related information dissemination; settlement of the engagements with securities at stock exchange, as well as holding and accounting thereof in non-material form; proceeding of securities registers.

The Company's main shareholders are: TBC Capital LLC (17.33%), GCF Holdings Georgia LLC (15.33%) and JSC Galt & Taggart (17.33% (including 2% in nominee ownership)). The above-mentioned shareholders also are 72.13% shareholders of JSC Tbilisi Stock Exchange (See Note 2.5) which the Group recognizes as a non-controlling interest for consolidation purposes.

2 Summary of significant accounting policies

2.1 Basis of preparation

These 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 2020.

The consolidated financial statements comprise a consolidated statement of financial position, a consolidated statement of comprehensive income, a consolidated statement of cash flows, a consolidated statement of changes in equity, and notes.

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

2.2 Measurement basis

The consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. 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 Group 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 Group (working closely with external qualified appraisers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

2 Summary of significant accounting policies *(continued)*

2.2 Measurement basis *(continued)*

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 (i.e. as prices) or indirectly (i.e. 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).

2.3 New or amended standards adopted

From January 1, 2020, some new standards, interpretations and changes to existing standards came into force. Among them are the following changes:

a) Amendments to IFRS 3 definition of a business;
b) Amendments to IAS 1 and IAS 8 - definition of material;
c) Revised Conceptual Framework for Financial Reporting;
d) Amendments to IFRS 7, IFRS 9 & IAS 39- Interest Rate Benchmark Reform.

The changes did not have a material impact on the Group's financial statements.

2.4 New and amended standards in issue but not yet effective

Prior to the date of approval of the Group’s financial statements, certain new standards, interpretations and changes were published in the existing standards, which have not yet entered into force for the current reporting period and which the Group has not received in advance. Among them are the following changes:

a) IFRS 17 - Insurance Contracts
b) Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
c) Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use
d) Amendments to IFRS 3 - Reference to the Conceptual Framework
e) Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract
f) Annual Improvements to IFRS Standards 2018–2020
g) Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture
h) *Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 Interest Rate Benchmark Reform – Phase 2*

The Group does not expect that the entry into force of the standards will result in material changes to the financial statements.

2 Summary of significant accounting policies *(continued)*

2.5 Basis for consolidation

A subsidiary is an entity where parent company has more than half of voting rights or has an ability to control operations and financial assets of subsidiary. In this case consolidation happens. The consolidation of subsidiary starts from the day when parent company gains control and ends when parent company losses control. All inter-group transactions and balances are fully subtracted.

Acquisition method is used for accounting the purchase of subsidiary. Purchased assets and liabilities are, firstly, accounted with their fair value as of the purchase date. If the consideration paid is greater than the carrying value of the acquired company's identified net assets, the goodwill is recognised. If the consideration paid are less than the acquired company's net assets, than the difference is directly recognised in the consolidated statement of comprehensive income.

The non-controlling interest is the interest in the subsidiary which does not belong to the parent. The non-controlling interest is presented in statement of financial position as value of the shares belonging to the minority of the shareholders. The Group assess the non-controlling interest on proportionate shares in subsidiary's net assets.

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Associates are entities over which the Group has significant influence. Associates are accounted for using the equity method of accounting.

The Group contains following subsidiaries which are consolidated in this consolidated financial statement:

		2020		**2019**	
	Legal Address	**Ownership**	**GEL**	**Ownership**	**GEL**
JSC Georgian Central Securities Depository	**74a Ilia Chavchavadze Avenue**				
Direct ownership		16.70%	100,000	16.70%	100,000
Indirect ownership		23.16%	-	23.16%	-
JSC Tbilisi Stock Exchange	**71 V.Pshavela Avenue**				
Direct ownership		27.87%	100,000	27.87%	100,000
JSC Kavkasreesrti	**74a Ilia Chavchavadze Avenue**				
Direct ownership		57.86%	9,134	57.86%	9,134
Total			**209,134**		**209,134**

2 Summary of significant accounting policies *(continued)*

2.5 Basis for consolidation *(continued)*

JSC Tbilisi Stock Exchange ("TSE") was founded on May 7, 2015 . The purpose of founding was to obtain funds for business development through the sales of the shares of TSE (According to the Charter, the Company can not increase its joint stock, without the consent of 75% of the shareholders). The Company's minority shareholders, who own 38% of the Company's shares, have appealed to the court on the decision of establishing TSE. In February 2021, this dispute was settled in the Supreme Court in favor of the TSE. The decision of the Supreme Court is final and not subject to appeal. (For information on ongoing litigation, see note 24).

In 2019, TSE issued 74,907 shares which were purchased by JSC Galt & Taggart, TBC Capital LLC and GCF Holdings Georgia LLC, the compensation received amounted to GEL 1,000,008, after which the shares were distributed as follows:

	31-Dec-20	31-Dec-19
JSC Georgian Stock Exchange	27.87%	27.87%
JSC Galt and Taggart	24.04%	24.04%
TBC Capital LLC	24.04%	24.04%
GCF Holdings Georgia LLC	24.04%	24.04%
	100.00%	**100.00%**

Even though the Company has reduced its shares in JSC Tbilisi Stock Exchange to 27.87%, it still maintains the control over it and reflects its results in its consolidated financial statements. The control is maintained by the following facts:

- The TSE supervisory board members are also the supervisory board members of the Company.
- The remaining shareholders of the TSE are also the shareholders of the Company directly or through the related parties (the general ultimate beneficial of the owner). These shareholders jointly own 72.13% (72.13% in 2019) of TSE and 49.99% (49.99% in 2019) of the Company.
- The Company and TSE have the same General Director.

On December 2, 2019 TSE acquired JSC Georgian Central Securities Depository's 193,211 ordinary shares for a total amount of GEL 700,003. With this investment TSE became the owner of 83.10% of JSC Georgian Central Securities Depository. As a result, JSC Georgian Stock Exchange controls 39.86% of JSC Georgian Central Securities Depository (out of this it indirectly owns 23.16% through JSC Tbilisi Stock Exchange and presents it in the Group's consolidated financial statements).

For the purpose of consolidated financial statements event described above is intra-group transaction and the income received as a result of this transaction is eliminated from the consolidated financial statements, only proportion of shares is changed between controlling and non-controlling parties as the result of which the share of non-controlling interest increased in Group.

Before October 1, 2015 JSC Kavkasreestri was an associate, as the Company had significant influence, but not control over it. From October 1, 2015, the Company obtained control over JSC Kavkasreestri. JSC Kavkasreestri primarily owns highly liquid assets (cash and cash equivalents and other financial assets) and as a result of this its net assets' carrying amount represented their fair value on October 1, 2015. Prior this date, the Company was accounting JSC Kavkasreestri, as an associate, using equity method and from October 1, 2015 the value of investment accounted by this method has not had any difference with the value of JSC Kavkasreestri net assets.

2 Summary of significant accounting policies *(continued)*

2.6 Financial instruments

Initial recognition and measurement

The Group recognises 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 Group recognises 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 Group recognizes the financial assets on the payment date, the asset is recognized on the day the Group receives it and its recognition is terminated on the day the Group sells it.

Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition.

Financial assets are measured at amortised cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by selling financial assets at fair value and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified and measured at fair value through profit or loss unless the Group makes an irrevocable election at initial recognition for investments in equity instruments to present subsequent profit or loss in the statement of other comprehensive income.

Impairment of financial assets

The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

2 Summary of significant accounting policies *(continued)*

2.6 Financial instruments *(continued)*

Impairment of financial assets *(continued)*

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group'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.

The schedule for assessing impairment allowance for trade receivables is presented bellow:

Days past due	Less than 30 days	31 – 60 days	61-90 days	91-180 days	More than 180 days
Percentage of allowance	2%	5%	25%	50%	100%

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 recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) 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 recognised at the date the impairment is reversed.

Derecognition of financial assets

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the “substance over form” based derecognition test prescribed by IFRS 9. 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 recognised / derecognised in full or recognised to the extent of the Group’s continuing involvement depends on accurate analysis of each fact.

Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Group 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 derivatives that is a designated for effective hedging) 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.

2 Summary of significant accounting policies *(continued)*

2.6 Financial instruments *(continued)*

Subsequent measurement of financial liabilities *(continued)*

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

Typically, trade and other payables and borrowings are classified in this category. Items classified within trade and other payables 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 Group’s consolidated statement of financial position only when the liability is discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are bank accounts' balances and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.7 Property, plant and equipment

On initial recognition, items of property, plant 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, plant 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 equipment	20% straight line
IT infrastructure	10% straight line
Leasehold improvements	14%-20% 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, plant 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, plant 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.

2.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recognized in the financial statement if, and only if (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and (b) the cost of the asset can be measured reliably.

2 Summary of significant accounting policies *(continued)*

2.8 Intangible assets *(continued)*

Recognition

On initial recognition, acquired intangible assets are measured at cost. The cost of 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.

Amortization

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, straight line method.

Software	15 Years
Applications and websites	3-10 Years

Amortization of an intangible asset begins when it is ready for use.

Amortization of JSC Georgian Central Securities Depository's software (clearing-settlement system) purchased from Montran Corporation has started after its development was completed and the asset was ready to use.

Amortization of the trading system of JSC Tbilisi Stock Exchange acquired from Montran Corporation will begin when its development is finished and asset is ready to use.

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

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.

2.9 Impairment of non-financial assets

The carrying amounts of property, plant and equipment with finite useful life and intangible 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. 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.

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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

Intangible assets with indefinite useful life 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).

2.10 Translation of foreign currencies

The functional currency of the Group is Georgian Lari ("GEL"). Monetary assets and liabilities in foreign currencies are translated in functional currency of the Group using the official exchange rates of the National Bank of Georgia at the reporting date:

	USD	EUR
Exchange rate as at December 31, 2020	3.28	4.02
Average rate for the year 2020	3.10	3.54
Exchange rate as at December 31, 2019	2.87	3.21
Average rate for the year 2019	2.82	3.16

Exchange differences arising after date of a transaction are recognised in profit or loss.

Non-monetary assets and liabilities that are presented using historical cost are translated into functional currency using exchange rate prevailing on a date of the transaction.

2.11 Income tax

The Group defines income tax according to the Georgian tax legislation. According to the effective tax legislation, only amount that is distributed among the owners is subject to taxation, while reinvested profit is exempted from applying income tax (except for some cases presented in Article 98^1 of Tax Code of Georgia and 99th and 103rd parts of Article 309). The amount of income tax liability is calculated as 15/85 part from the amount of distributed dividends.

2.12 Provisions and contingencies

Provisions are recognised in the statement of financial position when the Group has current obligation (legal or constructional) at the reporting date as a result of a past event and it is probable that the Group will settle this obligation. Provisions are measured at the present value of the amount expected to be required to settle the obligation using discount rate that reflects the time value of money and current market assessments of the risks to a specific obligation. Any change in the assessment is recognised in the statement of profit and loss of the respective period.

2.13 Equity

Equity instruments are contracts that give a residual interest of the Group 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.

2 Summary of significant accounting policies (continued)

2.13 Equity (continued)

The Group recognizes in the share premium the gains generated by issuing shares in subsidiaries when issued shares are purchased by non-controlling interest, while intragroup share portion changes when the control is retained by parent are recognized in other gain/(loss) in retained earnings.

Dividends distribution

Dividends are recognised as liabilities when they are declared. Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders' Annual General Meeting. Interim dividends are recognised when paid.

The Group recognizes paid dividends to subsidiaries non-controlling interest in the consolidated cash flow statement. The non-controlling interest in the statement of the consolidated financial position and consolidated statement changes in equity is shown at the net value (reduced with paid dividends to subsidiaries non-controlling interest).

Treasury shares

The cost of treasury shares purchased is shown as a deduction from equity in the consolidated 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 consolidated statement of comprehensive income.

2.14 Recognition of revenues and expenses

Recognition of revenues and expenses performs under accrual basis.

The Group recognizes revenues from service rendered when it is possible to assess it reliably; it is possible that future economic benefits will flow to the entity; it is possible to define the completion stage of the transaction at the reporting date; and it is possible to define the costs associated with the settlement of a transaction. The amount of revenue is recognized as the fair value of remuneration received or has to be received from the selling of goods or rendering of services.

For each contract the Group takes the following steps: Identifies the contract existence, identifies the performance obligations, determines the transaction price, which implies the assessment of variable remuneration amount and time value of money; the amount indicated in a contract is allocated among performance obligations on a basis of comparative prices; and recognizes the revenue only when the all performance obligation is fulfilled in a manner of transferring all promised good or service.

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.

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.

2 Summary of significant accounting policies *(continued)*

2.14 Recognition of revenues and expenses *(continued)*

Leases

The IASB issued the new standard for accounting for leases − IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessee to recognize most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise ‘short-term’ leases and leases of ‘low-value’ assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today’s finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

Group's leases are short-term. Short-term leases are leases with a lease term of 12 months or less. Payments related to short-term leases are recognized as an expense in the statements of profit or loss on a straight-line basis.

The Group considers the lease term as non-cancellation period of the lease with the following periods:

a) Periods covered by the option to extend the lease if it is sufficiently credible that the lessee will exercise above mentioned right; And

b) Periods covered by the option to terminate the lease early if it is sufficiently certain that the lessee will not exercise that right;

2.15 Offsetting

Financial assets (loans and receivables) and financial liabilities (borrowings and accounts payable) are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Incomes and expenses are not offset unless required or permitted by IFRS and as specifically disclosed in the accounting policies of the Group.

3 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 Critical accounting judgments and key sources of estimation uncertainty *(continued)*

a) Useful lives of property, plant and equipment

The estimation of the useful life property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an item of property, plant and equipment, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

b) Useful lives of intangible assets

The estimation of the useful life of intangible asset is a matter of management estimate based upon experience with similar assets. In determining the useful life of an item of intangible assets, management considers the expected usage, international practice and rapidly changing market requirements. Changes in any of these conditions or estimates may result in adjustments for future amortization rates.

c) Provisions and contingent liabilities

Provisions are recognized for future liabilities when the Group has a legal or constructive obligation based on past events and it is probable that the Group will be required to meet those obligations. Provisions that do not meet the criteria for recognition as a liability are included in the notes to the consolidated financial statements as contingent liabilities, as their existence is confirmed only in the event of any uncertain future circumstances that are not entirely within the group's control.

d) Taxation

Georgian tax, currency and customs legislation is subject to varying interpretations. The management of the Group recognizes liabilities for anticipated additional tax assessments as a result of tax audits based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determinations are made.

4 Cash and cash equivalents	**31-Dec-20**	**31-Dec-19**
Cash on hand	967	815
Cash at bank	373,238	1,091,631
Short-term deposits	1,331,146	423,373
Total cash and cash equivalents	**1,705,351**	**1,515,820**

Deposits comprise of short-term deposit which accrue interest in range 0.25-6.5% based on the interest rate of the respective deposit. Interest income accrued on the deposits is presented in Note 19.

Cash and cash equivalents by Currency is disclosed in Note 25.4, and interest rates by currency - in Note 25.3.

At the end of the reporting period there was no material difference between the carrying amount and fair value of cash and cash equivalents.

5 Held to maturity financial assets

	Currency	Initial amount in currency	Maturity date	Interest rate	31-Dec-20	31-Dec-19
Georgian Leasing Company LLC	USD	400,000	29-Aug-19	7.00%	-	411,025
m2 Real estate	USD	61,000	7-Oct-22	7.50%	218,435	178,020
Total before allowance for Held to maturity financial assets					**218,435**	**589,045**
Impairment allowance for securities (see Note 21)					(2,184)	(5,890)
Net Held to maturity financial assets					**216,251**	**583,155**

Interest income from held to maturity financial assets is disclosed in Note 19.

During the reporting period there was no material difference between coupon rate and effective rate. Payments schedule for active held to maturity financial assets was determined by receiving of coupon/ (interest) once in every six months and principal at maturity.

At the end of the reporting period there was no material difference between the carrying amount and fair value of held to maturity financial assets.

6 Trade and other receivables

	31-Dec-20	31-Dec-19
Trade receivables	151,734	103,863
Allowance for doubtful accounts	(35,864)	(33,493)
Prepayments, other assets	7,129	1,675
Total trade and other receivables	**122,999**	**72,045**

At the end of the reporting period there was no material difference between the carrying amount and fair value of trade and other receivables.

7 Property, plant and equipment

	IT infrastructure	Office equipment	Leasehold improvements	**Total**
Historical cost				
As at December 31, 2018	**-**	**200,982**	**33,842**	**234,824**
Additions	-	11,127	-	11,127
Disposals	-	(746)	-	(746)
As at December 31, 2019	**-**	**211,363**	**33,842**	**245,205**
Additions	34,721	4,919	-	39,640
As at December 31, 2020	**34,721**	**216,282**	**33,842**	**284,845**
Accumulated depreciation				
As at December 31, 2018	**-**	**(167,726)**	**(24,888)**	**(192,614)**
Depreciation for the year	-	(19,578)	(5,014)	(24,592)
Accumulated depreciation on disposed assets	-	520	-	520
As at December 31, 2019	**-**	**(186,784)**	**(29,902)**	**(216,686)**
Depreciation for the year	(2,893)	(13,042)	(695)	(16,630)
As at December 31, 2020	**(2,893)**	**(199,826)**	**(30,597)**	**(233,316)**
Net carrying value				
As at December 31, 2018	**-**	**33,256**	**8,954**	**42,210**
As at December 31, 2019	**-**	**24,579**	**3,940**	**28,519**
As at December 31, 2020	**31,828**	**16,456**	**3,245**	**51,529**

At the end of the reporting period the total carrying value of fully depreciated assets is 204,952 GEL (154,813 GEL in 2019). However, the Group still uses these assets in its operations.

8 Intangible assets

	Computer software	Trade system license	Applications and websites	**Total**
Historical cost				
As at December 31, 2018	**943,632**	**-**	**63,504**	**1,007,136**
Additions	101,016	1,014,992	500	1,116,508
As at December 31, 2019	**1,044,648**	**1,014,992**	**64,004**	**2,123,644**
Additions	112,593	-	9,528	122,121
As at December 31, 2020	**1,157,241**	**1,014,992**	**73,532**	**2,245,765**
Accumulated amortization and impairment				
As at December 31, 2018	**-**	**-**	**(16,933)**	**(16,933)**
Amortization for the year	-	-	(5,342)	(5,342)
As at December 31, 2019	**-**	**-**	**(22,275)**	**(22,275)**
Amortization for the year	(26,352)	-	(6,932)	(33,284)
As at December 31, 2020	**(26,352)**	**-**	**(29,207)**	**(55,559)**
Net carrying value				
As at December 31, 2018	**943,632**	**-**	**46,571**	**990,203**
As at December 31, 2019	**1,044,648**	**1,014,992**	**41,729**	**2,101,369**
As at December 31, 2020	**1,130,889**	**1,014,992**	**44,325**	**2,190,206**

8 Intangible assets (continued)

At the end of the reporting period the total carrying value of fully amortized assets is GEL 23,777 (2019: GEL 23,120). However, the Group uses those intangible assets in its operating activities.

Intangible assets mostly consist of trading system license and implementation of software (a new clearing and settlement systems), which JSC Tbilisi Stock Exchange ("TSE") and JSC Georgian Central Securities Depository ("GCSD") acquired from MONTRAN CORPORATION.

In November, 2018, the contracted asset was delivered by MONTRAN CORPORATION to GCSD, after which the classification criteria as intangible asset was satisfied and the Group recognized an intangible asset. The last phase of asset development was completed in September 2020.

In November, 2019, the contracted asset was delivered by MONTRAN CORPORATION to TSE, after which the classification criteria as intangible assets was satisfied and the Group recognized an intangible asset. Currently, the asset is in the process of being tested by the Group. The system is planned to be fully implemented in 2021.

As of December 31, 2020, the long-term liability related to the purchase of intangible assets is GEL 230,820 (2019: GEL 394,869).

9 Investment securities

The Group holds 1.64% shares of JSC Georgian Waterproject. The Group did not receive any dividends in year 2020 and 2019. Dividends received in 2018 was - 2,732 GEL. Till December 31, 2017, the Group used IAS 39, which provided the investment securities in a financial statement with the cost. According to IFRS 9, effective January 1, 2018, the Group is obliged to present the investment securities at fair value. Since new information is not available for evaluating with fair value, the right to use the exemptions provided for in paragraph B5.2.3 of IFRS 9 and the fair value assessment is the cost of the transition for January 1, 2018 as well as for December 31, 2018, 2019 and 2020.

10 Prepayments

Prepayments	31-Dec-20	31-Dec-19
Prepayments for purchase of intangible assets	942	24,494
Total prepayments	**942**	**24,494**

On December 6, 2019, JSC Tbilisi Stock Exchange signed an agreement with Green Systems, Ltd. for the creation, installation / configuration of intangible asset, for which TSE paid 50% of the total amount stipulated in the contract (GEL 24,495) on December 9, 2019. In March 2020, Green Systems, Ltd provided the Group with a contracted product that includes licenses and server computer devices. Accordingly, prepayment to acquire an intangible asset was reclassified to an intangible asset and property, plant and equipment.

	2020	2019
Opening balance - as at January 1	**24,494**	**423,757**
Amount paid during the year	4,842	355,391
Reclassification to intangible assets and PPE during the year	(28,394)	(754,654)
Closing balance - as at December 31	**942**	**24,494**

11 Trade and other payables	**31-Dec-19**	**31-Dec-18**
Advances received	55,562	82,962
Payables to suppliers	26,658	14,705
Other	19	46
Total trade and other payables	**82,239**	**97,713**

Advances received consists of 3 large clients' advance payments for service fees for the period of 5 years.

At the end of the reporting period there was no material difference between the carrying amount and fair value of trade and other payables.

12 Provision for salary and premium

Provision for salary and premium include bonus accrued for the general director of JSC Georgian Stock Exchange and salaries payable to former board members and former employee of the JSC Kavkasreestri.

At the end of the reporting period the management of the Group created a provision for the premium payable to the general director. Management estimates that there is more than 50% probability that the Supervisory Board will approve the premium.

In 2019, the Group created a provision in the amount of 50% of the salary payable to the former members of JSC Kavkasreestri's governing body. In 2020, a court dispute ended in favor of the former members of JSC Kavkasreestri's governing body. Remaining share of accrued salary was recognised in the consolidated financial statements for the year ended December 31, 2020.

In 2019, the Group created a provision in the amount of 50% of the salary payable to the former employee of JSC Kavkasreestri. Based on the commom court practice on similar disputes, the Group expects the litigation to end in favor of the former employee with more than 50% probability. Accordingly, provision in the amount of 100% of the salary payable to the former employee is recognized in the consolidated financial statements at the reporting period.

As at December 31, 2018	**50,000**
Paid	(45,000)
Accrued	50,000
Renouncement of benefit expense of year 2018	(5,000)
Accrual of salary payable	25,485
As at December 31, 2019	**75,485**
Paid	50,000
Accrual of salary payable	33,487
As at December 31, 2020	**158,971**

13 Tax assets and liabilities

The Group's tax assets and liabilities arise from income tax, property tax and reverse-charge VAT.

According to the current tax legislation, profit distributed among the owners is subject to taxation of profit tax. As of December 31, 2020 and 2019, the Group does not have any income tax payable on distributed income. Also, according to the Estonian model of profit tax adopted by the Parliament of Georgia in 2016 (profit tax reform), the Group does not incur deferred profit tax.

14 Equity

Share capital consists of 3,000,000 issued and authorized shares; par value of a share is GEL 0.01. The group has not issued any new shares during 2020.

The Group's share premium as of December 31, 2020 and 2019 is GEL 117,452.

No dividends were distributed to shareholders during the reporting period.

Capital management

The Group’s objective when managing capital (which it defines as reported net assets in its IFRS consolidated financial statement) is to create a sufficient buffer for risk insurance and to ensure the Group has ability to continue as a going concern so that it can continue to generate benefits for stakeholders and generate returns for shareholders.

To achieve above mentioned goals, the Group assesses the risks associated with products and projects and their compliance with capital buffers; manages and controls the compliance of equity with risks and capital requirements by producing continuously updated financial statements.

National Bank of Georgia (NBG) sets capital adequacy requirements for Stock exchanges, Central Depositors and Securities Registrars. In particular, As required by the NBG, minimum amount of capital for Stock Exchange and Central Depositor should be GEL 50,000, and for Securities Registrar - GEL 250,000. Management of NBG requirements is integrated into the overall capital management framework and is dynamically controlled by Group's management.

In addition, Stock Exchanges and Central Depositors are required by the National Bank of Georgia to keep cash, at all stages of licensing, on accounts opened in licensed banking institutions in Georgia in the amount of at least 100% of the minimum required capital.

The Group satisfies the minimum capital requirements.

15 Commission and membership fees

Commission and membership fees	2020	2019
Commission income	114,426	151,392
Subscription income	102,090	87,638
Total commission and membership fees	**216,516**	**239,030**

16 Income from the services rendered

Income from the services rendered	2020	2019
Income from listing	233,549	184,599
Income from custodian service	402,520	113,119
Income from development of registry	101,326	91,660
Other service income	19,071	19,398
Total income from the services rendered	**756,466**	**408,776**

17	**Employees salary and benefits**	**2020**	**2019**
	Salary	649,070	621,889
	Premium	50,000	94,842
	Compensation for former governing body and former employee	41,857	621,889
	Pension expense	12,745	13,951
	Total employees salary and benefits	**753,672**	**762,538**

For the compensation for former governing body and former employee, the Group has made a 100% provision of non-recurring expense (see Note 12).

18	**Other operating expenses**	**2020**	**2019**
	Software support	54,742	900
	Insurance expenses	12,027	11,337
	Maintenance expense of securities	9,326	4,000
	Business trip expenses	5,557	19,475
	Cost of database usage	4,509	409
	Cleaning and maintenance expenses	4,504	4,095
	Warranty costs	3,900	-
	Bank commissions	3,294	4,089
	Office supply expenses	3,173	7,235
	Consultation expenses	3,000	3,000
	Computer expenses	2,415	509
	Utility expenses	2,269	6,566
	Registration expenses	1,547	1,471
	Authorization costs	1,500	1,500
	Transportation expenses	1,195	3,126
	Personnel training expenses	700	7,288
	Representation expenses	635	1,423
	Tax expenses	346	281
	Employee benefits	-	1,366
	Other expenses	11,624	15,009
	Other operating expenses	**126,263**	**93,079**

19	**Finance income**	**2020**	**2019**
	Interest income from held to maturity financial assets	34,324	56,293
	Interest income from bank deposits	20,102	23,267
	Total finance income	**54,426**	**79,560**

20 Net foreign exchange gain / (loss)

	Cash and cash equivalents	Trade receivables	Trade payables and log-term liability	Held to maturity financial assets	Total
Foreign currency gain	335,481	15,516	79,310	128,956	**559,263**
Foreign currency loss	(167,089)	(10,093)	(135,933)	(75,131)	**(388,246)**
Net foreign exchange gain / (loss) for 2020	**168,392**	**5,423**	**(56,623)**	**53,825**	**171,017**

	Cash and cash equivalents	Trade receivables	Trade payables	Held to maturity financial assets	Total
Foreign currency gain	44,499	13,754	9,443	115,310	183,006
Foreign currency loss	(54,479)	(3,873)	(33,187)	(34,280)	(125,819)
Net foreign exchange gain / (loss) for 2019	**(9,980)**	**9,881**	**(23,744)**	**81,030**	**57,187**

21 Financial assets impairment reserve (expense) / recovery

	Held to maturity financial assets	Trade receivables	Total
As at January 1, 2018	**(16,271)**	**(33,493)**	**(49,764)**
Write-offs during the year	-	5,405	**5,405**
Recovered amounts	10,528	4,140	**14,668**
Impairment expense of financial assets for the year	(147)	(9,357)	**(9,504)**
As at December 31, 2018	**(5,890)**	**(33,305)**	**(39,195)**
Write-offs during the year	-	8,888	**8,888**
Recovered amounts	-	5,776	**5,776**
Impairment expense of financial assets for the year	(404)	(17,077)	**(17,481)**
As at December 31, 2019	**(6,294)**	**(35,718)**	**(42,012)**

22 Non-operating income

Non-operating income for 2020 includes income received under the state subsidy related to income tax.

23 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

a) A person or a close member of that person’s family is related to a reporting entity if that person:
(i) has control or joint control of the reporting entity; or
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

23 Related parties *(continued)*

b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The Company’s main shareholders are: TBC Capital LLC (17.33%), GCF Holdings Georgia LLC (15.33%) and JSC Galt & Taggart (17.33%- (including 2% in nominee ownership)).

Incomings	**2020**	**2019**
Main shareholders	95,008	92,937
Other related parties	471,971	203,406

Expenditures	**2020**	**2019**
Other related parties	14,966	15,728

Management compensation	**2020**	**2019**
Salaries and benefits	422,520	429,730

Trade receivables	**31-Dec-20**	**31-Dec-19**
Main shareholders	8,401	7,009
Other related parties	68,167	9,553

Trade and other payables	**31-Dec-20**	**31-Dec-19**
Main shareholders	606	-
Other related parties	34	1,000

Cash on bank accounts	**31-Dec-20**	**31-Dec-19**
JSC Bank of Georgia	1,076,063	614,416
JSC TBC Bank	302,601	585,348

Investment in securities	**31-Dec-20**	**31-Dec-19**
Investments in “Georgian Leasing Company” securities	-	406,916

	31-Dec-20	**31-Dec-19**
Remuneration balances due to management	100,000	50,000

Income from other related parties includes income from holding of securities from JSC Bank of Georgia and JSC TBC Bank.

24 Commitments and contingencies

24.1 Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

24.2 Legal proceedings

Members of the Group have current lawsuit which are described below:

Lawsuits of JSC Georgian Stock Exchange and JSC Tbilisi Stock Exchange:

At the end of the reporting period JSC Georgian Stock Exchange and JSC Tbilisi Stock Exchange had two lawsuits, where minority shareholders of the Company were arguing about the legality of establishing JSC Tbilisi Stock Exchange by the Company.

In February 2021, the dispute in the Supreme Court ended in favor of the Group. The decision of the Supreme Court is final and is not subject to appeal.

Lawsuits of JSC Kavkasreestri:

At the end of the reporting period the current lawsuits of the Group relate to legality of dismissal of former Director and the members of governing body as well as one of the former employees and reimbursement of their compensation.

One of these disputes, related to legality of dismissal of former Supervisory Board members and reimbursement of their compensation, ended in November, 2020 against JSC Kavkasreestri. As a result, the Group became obliged to reimburse compensation to former members of the Supervisory Board in the total amount of GEL 17,712.

In case the second lawsuit ending against the Group, the Group will be obliged to reimburse the compensation of former employee (monthly GEL 1,000 from June 1, 2016 to the date of enforcement of court's decision). Based on the commom court practice on similar disputes, the Group expects the litigation to end in favor of the former employee with more than 50% probability. Accordingly, provision in the amount of 100% of the salary payable to the former employee is recognized in the consolidated financial statements at the reporting period.

All other cases are currently pending in different instances of court. At the same time, the registration process is underway in the public registry, which is related to the above-mentioned disputes. The management expects (with reasonable probability) that most of these disputes will end in favor of the Group and if any dispute (or disputes) ends against Group, the Group does not expect any kind of material losses that would jeopardize its existence or cause serious disruption to the current activities.

25 Information on financial risks

In performing its operating, investing and financing activities, the Group 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 Group.
- Liquidity risk: the risk that the Group 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 Group is exposed to two market risk components:

  - Interest rate risk
  - Currency risk

Management of the Group manages risks by cooperation with operating units. Because of the simplicity of the Group's operations, there is not a pre-set policy for managing risks.

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

Financial assets	**31-Dec-20**	**31-Dec-19**
Cash and cash equivalents	1,705,351	1,515,005
Trade and other receivables	122,999	70,370
Held to maturity financial assets	216,251	583,155
Investment in securities	54,085	54,085
Total financial assets	**2,098,686**	**2,222,614**
Financial liabilities		
Trade payables	82,239	14,705
Long-term liability	230,820	394,869
Total financial liabilities	**313,059**	**409,574**

25.1 Credit risk

The Group's maximum exposure to credit risk is reflected in schedule below:

	31-Dec-2020	**31-Dec-2019**
Cash and cash equivalents	1,705,351	1,515,005
Trade and other receivables	122,999	70,370
Held to maturity financial assets	216,251	583,155
Investment in securities	54,085	54,085
Total financial assets	**2,098,686**	**2,222,614**

Balance of cash and cash equivalents is composed by balances of bank accounts and short-term bank deposits. The Group does not own any collateral for its trade receivables. The Group manages its trade receivables according to the overdue days.

25 Information on financial risks (continued)

25.1 Credit risk (continued)

Expected credit loss measurement

The Group uses a “three-stage” model for impairment based on changes in credit quality since initial recognition summarized bellow:

- A financial instrument that is not credit-impaired on initial recognition is classified in “stage 1” and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to “stage 2” but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, it is then moved to “stage 3”.
- Financial instrument on stage 1 have expected credit loss measured at an amount equal to the portion of lifetime expected credit loss that result from default events possible within next 12 months. Instruments on stages 2 and 3 have their expected credit loss measured based on expected credit losses on a lifetime basis.

The following diagram summarises the impairment approach of the Group:

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
Expected credit loss	Lifetime expected credit losses	Lifetime expected credit losses

All financial assets in the Group's consolidated financial statements, other than trade receivables, are classified in stage 1 as at beginning and end of 2020.

As for trade receivables the Group uses the simplified approach is based on days overdue. The Group has five overdue ranges. Expected credit loss percentage is based on Group`s operating sector and previous experience. Expected credit loss table is presented below:

Days overdue	< 30	31-60	61-90	91-180	> 180
Percentage of expected credit loss	2%	5%	25%	50%	100%

For investment held-to-maturity, expected credit loss is based on credit risk change after initial recognition.

Loss allowances will be measured on either of the following bases: a) 12-month expected credit loss - If the credit risk on a financial instrument has not increased significantly since initial recognition b) lifetime expected credit loss - If the credit risk on that financial instrument has increased significantly since initial recognition.

Considering the fact, that credit risk is not increased significantly after initial recognition, the Group used 12-month expected credit loss for investment held-to-maturity.

25 Information on financial risks *(continued)*

25.2 Liquidity risk - Financial liabilities maturity analysis

The Group manages liquidity risk according to the expected maturity.

The liquidity risk as at December 31, 2020 is presented as follows:

	Up to 1 year	1-5 years	More than 5 years	Total
Financial assets				
Cash and cash equivalents	1,705,351	-	-	**1,705,351**
Trade and other receivables	122,999	-	-	**122,999**
Held to maturity financial assets	18,563	197,688	-	**216,251**
Investment in securities	-	-	54,085	**54,085**
Total financial assets	**1,846,913**	**197,688**	**54,085**	**2,098,686**
Financial liabilities				
Trade payables	82,239	-	-	**82,239**
Long-term liability	-	230,820	-	**230,820**
Total financial liabilities	**82,239**	**230,820**	**-**	**313,059**
Liquidity position	**1,764,674**	**(33,132)**	**54,085**	**1,785,627**
Net liquidity position	**1,764,674**	**1,731,542**	**1,785,627**	

The liquidity risk as at December 31, 2019 is presented as follows:

	Up to 1 year	1-5 years	More than 5 years	Total
Financial assets				
Cash and cash equivalents	1,515,005	-	-	**1,515,005**
Trade and other receivables	70,370	-	-	**70,370**
Held to maturity financial assets	410,006	173,149	-	**583,155**
Investment in securities	-	-	54,085	**54,085**
Total financial assets	**1,995,380**	**173,149**	**54,085**	**2,222,614**
Financial liabilities				
Trade payables	14,705	-	-	**14,705**
Long-term liability	-	394,869	-	**-**
Total financial liabilities	**14,705**	**394,869**	**-**	**14,705**
Liquidity position	**1,980,675**	**(221,720)**	**54,085**	**2,207,909**
Net liquidity position	**1,980,675**	**1,758,955**	**1,813,040**	

25.3 Interest rate risk

The Group is exposure to interest rate risk only within the scope of financial assets with fixed rates. The effect of interest rate changes over financial assets with fixed interest rate was rated as insignificant.

Information associated with interest rate risk is presented below:

	31-Dec-20		31-Dec-19	
Annual %	**GEL**	**USD**	**GEL**	**USD**
Cash and cash equivalents	2.00-6.50%	0.5-0.75%	2.00-6.50%	0.25%-0.75%
Held to maturity financial assets	-	5.00-7.50%	-	5%; 7.5%

25.4 Foreign currency risk

Foreign currency risk arises from assets and liabilities denominated in foreign currencies. The Group does not have formal procedures for managing foreign exchange risk, however, the management considers itself well informed about the current developments in the economy and they have taken some steps to reduce the currency risk. These steps mainly involve the placement of foreign currency deposits.

At the end of the reporting period The Group had only following balances in foreign currencies:

As at December 31, 2020:

	Cash and cash equivalents	Trade receivables	Held to maturity financial assets	Long-term liability	Total
USD	1,308,339	44,355	216,251	(230,820)	**1,338,125**
EUR	9,794	-	-	-	**9,794**
GBP	1,128	-	-	-	**1,128**
Total	**1,319,261**	**44,355**	**216,251**	**(230,820)**	**1,349,047**

As at December 31, 2019:

	Cash and cash equivalents	Trade receivables	Held to maturity financial assets	Long-term liability	Total
USD	1,130,083	58,245	583,303	(394,869)	**1,376,762**
EUR	8,722	-	-	-	**8,722**
GBP	1,128	-	-	-	**1,128**
Total	**1,139,933**	**58,245**	**583,303**	**(394,869)**	**1,386,612**

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the US Dollar would decrease / increase profits after tax by GEL 133,812 (2019: by GEL 137,676)

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the EUR would decrease / increase profits after tax by GEL 979 (2019: by GEL 872).

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the GBP would decrease / increase profits after tax by GEL 113 (2019: by GEL 113).

26 Going concern consideration

At the end of reporting period, management of the Group considers the Group's ability to continue as a going concern, in order to ensure that presentation of financial statements based on a going concern assumption is relevant in the circumstances. The management is convinced that the Group’s functionality as going concern is not threatened and they don’t have any plans for Group liquidation or significant restriction of its activity.

27 Events after the reporting period

Significant events, which might be presented in these consolidated financial statements from the reporting date to the date of authorisation are connected with economic difficulties, that might arise from the spread of new coronavirus (COVID-19). However, in case of the Group, the management assesses risks associated to a minimum, as its operations are adapted to remote operations and its main customers are such powerful financial institutions whose activities will still be closely connected to the Group's operations, in case of wide spread of COVID-19. An additional argument for low level of risk assessment is the diversification of the client portfolio and the fact that the economic difficulties caused by COVID-19 was successfully addressed in 2020 by the Group.

After the reporting date, according to the amendments to the Tax Code, the companies included in the group (excluding JSC Tbilisi Stock Exchange) mandatorily became payers of VAT. However, this event is not expected to have a significant impact on the Group's operations, as the Group's VAT-taxable turnover is insignificant.

The Group paid the compensation for the former governing body of JSC Kavkasreestri after the reporting period, which was imposed as a result of the court dispute.

After the reporting date, restriction imposed by the court on some of JSC Tbilisi Stock Exchange's assets was removed.

There have been no other events after the reporting period which require additional disclosures or adjustments to these consolidated financial statements.

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