GEORGIAN STOCK EXCHANGE JSC

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

TRANSLATED FROM ORIGINAL GEORGIAN

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Georgian Stock Exchange JSC and its subsidiaries (hereinafter - the Group) at 31 December 2018 and the results of its consolidated operations, consolidated cash flows, and consolidated changes in equity for the period then ended, in accordance with International Financial Reporting Standards (IFRS).

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

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

Management is also responsible for:

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

The Consolidated financial statements for the year ended 31 December 2018 were approved on behalf of the management on 28 March 2019 by:

Giorgi Paresishvili	General Director	____________________
Nino Kurdiani	Financial Director	____________________

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Managemente of Georgian Stock Exchange JSC

Opinion

We have audited the accompanying consolidated financial statements of Georgian Stock Exchange JSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter - consolidated financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated 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 (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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, misrepresentations, or the override of internal control.

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

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

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

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

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

We communicate with 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.

28 MARCH 2019

RSM GEORGIA

Managing Partner: Giorgi Kvinikadze

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GEL	2017 GEL
Commission and membership fees	3	231,617	225,546
Income from securities registrar services	4	237,568	199,702
Other operating income		18,110	19,308
Total operating income		487,295	444,556
Salary and benefits		(623,748)	(442,898)
Other operating expenses		(148,166)	(78,726)
Rent and utilities		(112,776)	(110,220)
Consultation expenses		(88,489)	(99,704)
Impairment expense of financial assets	13	(29,431)	-
Depreciation and amortisation	7,8	(24,994)	(23,485)
Communication expenses		(12,278)	(12,386)
Finance income	5	123,728	97,668
Net forex gain/(loss)	6	37,324	(109,404)
Other income/(expenses)		1,140	(636)
Profit/(loss) before tax		**(390,395)**	**(334,599)**
Income tax expense		-	(259)
Loss after tax		**(390,395)**	**(334,858)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(390,395)**	**(334,858)**
Attributable:			
To parent		(281,383)	(205,324)
Non-controlling interest		(109,012)	(129,534)
TOTAL		**(390,395)**	**(334,858)**
		GEL	GEL
Earnings Per Share		**(0.13)**	**(0.111)**
Earnings Per Attribiutable to the Paraent Entity Holders		**(0.094)**	**(0.068)**

The Consolidated financial statements for the year ended 31 December 2018 were approved on behalf of the management on 28 March 2019:

Giorgi Paresishvili General Director ______________________

Nino Kurdiani Financial Director ______________________

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	**31.12.2018 GEL**	**31.12.2017 GEL**
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	42,210	55,874
Intangible assets	8	46,571	12,797
Held to maturity financial assets	9	1,085,006	1,062,731
Investment Securities	10	54,085	54,085
Prepayment for intangible assets	11	711,685	516,279
Total non-current assets		**1,939,557**	**1,701,766**
CURRENT ASSETS			
Current portion of Held to maturity financial assets	9	525,636	-
Tax assets		32,275	56,663
Other financial assets, trade receivables	12	62,197	59,840
Cash and cash equivalents	14	635,681	1,709,452
Total current assets		**1,255,789**	**1,825,955**
TOTAL ASSETS		**3,195,346**	**3,527,721**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	30,000	30,000
Share premium	15	922,849	922,849
Retained earnings		368,390	654,611
NET ASSETS ATRIBUTABLE TO OWNERS		**1,321,239**	**1,607,460**
NON-CONTROLLING INTERESTS		**1,689,929**	**1,804,731**
TOTAL EQUITY		**3,011,168**	**3,412,191**
NON-CURRENT LIABILITIES		-	-
CURRENT LIABILITIES			
Trade and other payables	16	134,138	65,530
Dividends Payable		-	-
Provision for premium	17	50,000	50,000
Total current liabilities		**184,178**	**115,530**
TOTAL LIABILITIES		**184,178**	**115,530**
TOTAL EQUITY AND LIABILITIES		**3,195,346**	**3,527,721**

The Consolidated financial statements for the year ended 31 December 2018 were approved on behalf of the management on 28 March 2019:

Giorgi Paresishvili	General Director	______________________
Nino Kurdiani	Financial Director	______________________

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share capital	Share premium	Retained earnings	Attributable to parent	Non-controlling interest	Total equity
		GEL	GEL	GEL	GEL	GEL	GEL
At 31 December 2015		**30,000**	**117,452**	**1,187,547**	**1,334,999**	**243,572**	**1,578,571**
Total comprehensive income for the year		-	-	(189,448)	(189,448)	6,730	(182,718)
Share premium increase		-	807,602	-	807,602	-	807,602
Other Gain/(Loss)		-	-	(140,368)	(140,368)	-	(140,368)
Increase of non-controlling interest		-	-	-	-	1,723,642	1,723,642
At 31 December 2016		**30,000**	**925,054**	**857,731**	**1,812,785**	**1,973,944**	**3,786,729**
Total comprehensive income for the year		-	-	(205,325)	(205,325)	(129,534)	(334,858)
Correction		-	(2,205)	2,205	-	-	-
Dividends to NCI		-	-	-	-	(39,679)	(39,679)
At 31 December 2017		**30,000**	**922,849**	**654,611**	**1,607,460**	**1,804,731**	**3,412,191**
Impact of Change in Accounting Policies (Note 2)		-	-	(4,839)	(4,839)	(5,789)	(10,628)
At 1 January 2018		**30,000**	**922,849**	**649,773**	**1,602,622**	**1,798,941**	**3,401,563**
Loss for the period		**-**	**-**	**(281,383)**	**(281,383)**	**(109,012)**	**(390,395)**
Other Comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2018		**30,000**	**922,849**	**368,390**	**1,321,239**	**1,689,929**	**3,011,168**

The Consolidated financial statements for the year ended 31 December 2018 were approved on behalf of the management on 28 March 2019:

Giorgi Paresishvili General Director ______________________

Nino Kurdiani Finnacial Director ______________________

CONSOLIDATED STATEMENT OF CASH FLOS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GEL	2017 GEL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		509,611	495,362
Payments to suppliers and employees		(932,995)	(814,483)
Cash flow generated from operations		**(423,384)**	**(319,121)**
Income taxes paid		-	(259)
Interest received		121,669	67,603
Net cash generated by operating activities		**(301,715)**	**(251,777)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiary		-	-
Redemption of held to maturity financial assets		-	181,677
Purchase of held to maturity financial assets		(512,797)	(1,045,928)
Prepayment for intangible assets	11	(198,535)	(518,779)
Disposal of Property, Plant and Equipment	7	(40,483)	-
Purchase of property, plant and equipment and intangible assets	7; 8	-	(10,150)
Net cash used in investing activities		**(751,815)**	**1,393,180**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to non-controlling interest in subsidiary		-	(39,679)
Dividends received from investment securities		-	-
Proceeds from issue of shares in subsidiary		(1,743)	-
Net cash generated by (used in) financing activities		**(1,743)**	**(39,679)**
CASH AND CASH EQUIVALENTS			
At 1 January	14	**1,709,452**	**3,493,742**
Net increase for the year		(1,055,273)	(1,684,636)
Effect of exchange rate changes on cash and cash equivalents held		(18,498)	(99,654)
At 31 December	14	**635,681**	**1,709,452**

Giorgi Paresishvili General Director ______________________________

Nino Kurdiani Financial Director ______________________________

NOTES

1 GENERAL INFORMATION

Georgian Stock Exchange JSC (hereinafter - the Company) was founded on January 12, 1999 according to the legislation of Georgia.

The main activity of the Company and its subsidiary companies (Group, see Note 3) 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.

As of 31 December 2018 the Company's shareholder structure is as follows: TBC Capital LLC (17.33%), GCF Holdings Georgia LLC (15.33%) and Galt & Taggart JSC (17.33% (including 2% in nominee ownership)), minority shareholders 38% and others 12%- (Cartu Broker 2%; BasisBank 2%, Abbey Asset Management 2%, Fiba 2%, Jo & Shi 2%, Heritage Securities 2%)
The Company's main shareholders are: TBC Capital LLC (17.33%), GCF Holdings Georgia LLC (15.33%) and Galt & Taggart JSC (17.33% (including 2% in nominee ownership)).
The above-mentioned shareholders also are the shareholders of 64.78% of Tbilisi Stock Exchange JSC (See Note 3) which the Group recognizes as a non-controlling share for consolidation purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) 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 2018.

The consolidated financial statements comprise a consolidated statement of profit or loss and the statement of other comprehensive income, a consolidated statement of financial position, a consolidated statement of changes in equity, a consolidated statement of cash flows, 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.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the 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 valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

New or amended Accounting Standards and Interpretation adopted

The following Accounting Standards and Interpretations are most relevant to the company:

IFRS 9 Financial Instruments:

The company has adopted IFRS 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets.

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

IFRS 15 Revenue from Contracts with Customers:

The company has adopted IFRS 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

IFRS 9 and IFRS 15 were adopted using the modified retrospective approach and as such comparatives have not been restated as far as it is impossible to restate them without use of hindsigh. The impact of adoption as at 1 January 2018 was as follows:

Area of Financial Statements	1 January 2018
Allowance for impairment of financial assets (expenses)/retention (IFRS 9)	(10,628)
Income (IFRS 15)	-
Impact on opening retained profits as at 1 January 2018	**(10,628)**

The detail reconsilation for financial instuments (IFRS 9) is presented bellow:

	IAS 39 carrying amount as at 31 December 2017	Reclassifications	Remeasurment	IFRS 9 carrying amount as at 1 January 2018
Amortised Cost	**GEL**	**GEL**	**GEL**	**GEL**
Trade receivables	59,840	-	-	59,840
Investments held to maturity	1,062,731	-	(10,628)	1,052,103
Total	**1,122,571**	**-**	**(110,243)**	**1,111,943**

The measurement category has not been changed due to new IFRS, the financial assets presented above table was measured at amortised cost and still remains with the same category, however the differences is coused in measurement of allowances, as far as new impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance, rather than allowance based on knonw actual events as it was used by previous IAS 39.

	New Standard	Old Standard	Difference
Fee and commission income	487,295	487,295	-
Allowance for impairment of financial assets expenses/retention (IFRS 9)	(29,431)	(23,790)	(5,641)
Financial Income	123,728	123,728	-
Net foreign gain/(loss)	37,324	37,324	-
Other Expenses	(1,009,311)	(1,009,311)	-
Loss before tax	**(390,395)**	**(384,754)**	**(5,641)**
Lossfor the year	**(390,395)**	**(384,754)**	**(5,641)**
Investments held for maturity	1,610,642	1,626,911	(16,269)
Trade and other receivables	62,197	62,197	-
Other assets	1,522,507	1,522,507	-
Total assets	**3,195,346**	**3,211,615**	**(16,269)**
Liabilities	134,178	134,178	-
Provision for Premium	50,000	50,000	-
Total liabilities	**184,178**	**184,178**	**-**
Net assets	**3,011,168**	**3,027,437**	**(16,269)**

New and amended standards in issue but not yet effective

The Company has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2018.

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

IFRS 16 Leases (issued in January 2016) - The Standard, effective for annual periods beginning on or after 1 January 2019 (earlier application permitted only if IFRS 15 also applied), replaces IAS 17 and its Interpretations. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The Directors anticipate that IFRS 16 will be adopted in the Company's financial statements when it becomes mandatory, However, as the Management is still in the process of assessing the full impact of the application of IFRS 16 on the Company's financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the Management complete the detailed review.

IFRS 17 Insurance Contracts (issued in May 2017) - The Standard that replaces IFRS 4, effective for annual periods beginning on or after 1 January 2021 (earlier application permitted only if IFRS 9 and IFRS 15 also applied), requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts, giving a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. As the Company has neither issued insurance contracts nor held reinsurance contracts, the Standard is not expected to have an effect on its financial statements.

(B) Revenue recognition

(a) Revenue is recognized on accrual basis.

Revenue from rendering services is recognised when the amount of revenue can be measured reliably; it is probable that future economic benefits will flow to the entity; the stage of completion of the transaction at the end of the reporting period can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and value added tax collected on behalf of the government of Georgia. For each contract the Company takes the following steps: Identifies the controcat existence, identifies the performance obligations, determines the transaction price, allocates the transaction price to each performance obligation and recognizes the revenenu only when the all performance obligation is fulfilled in a manner of transferring all promised good or service.

(b) Interest income

Interest income is recognized on accrual basis according to effective interest rate.

(C) BASIS FOR CONSOLIDATION

A subsidiary is an entity controlled by the Group, i.e. the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity's relevant activities (power over the investee).

The existence and effect of potential voting rights that the Group has the practical ability to exercise (i.e. substantive rights) are considered when assessing whether the Group controls another entity.
The Group's financial statements incorporate the results, cash flows, assets and liabilities of Georgian Stock Exchange JSC and all of its directly and indirectly controlled subsidiaries. Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group obtains control of the acquired business, until that control ceases. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

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 in the Group's consolidated financial statement represents the 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 (i.e. equity transactions). 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
Associates are entities over which the Group has significant influence, which is the power to participate in their financial and operating policy decisions, but which is not control or joint control. Associates are accounted for using the equity method of accounting.

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

	Legal Address	Ownership	2018 GEL	Ownership	2017 GEL
Georgian Central Securities Depository JSC	71 V.Pshavela Str, Tbilisi.				
Direct ownership		24.65%	100,000	24.65%	100,000
Indirect ownership *		26.44%	-	26.44%	-
Tbilisi Stock Exchange JSC	71 V.Pshavela Str. Tbilisi.				
Direct ownership		35.22%	100,000	35.22%	100,000
Kavkasreesrti JSC	71 V.Pshavela Str. Tbilisi.				
Direct ownership		57.86%	9,134	57.86%	9,134
TOTAL			**209,134**		**209,134**

Georgian Central Securities Depositary JSC- The Company's main activity is holding member's securities in nominee ownership, provision of clearing and settlement operations with these securities, and provision of other types of services permitted by Georgian legislation.
* Tbilisi stock exchange JSC owns 75.06% of Georgian Central Securities Depositary JSC shares. Meanwhile the parent company owns 35.22% of Tbilisi Stock Exchange JSC shares, and therefore indirectly owns additional 26.4 % of Georgian Central Securities Depositary JSC's shares.

Tbilisi Stock Exchange JSC- The main activity of the company is to collect proposals on buying and selling of securities and other financial instruments, organizing public trade in accordance with established rules and procedures.
Tbilisi Stock Exchange JSC (TSE) was founded on May 7, 2015 by Georgian Stock Exchange JSC (the Company). 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. The management of the Company deems that TSE is established in accordance with the acting legislation and in full compliance with the charter.

In December 2016, TSE released 183,897 ordinary shares which were purchased by Galt & Taggart JSC, TBC Capital LLC and LLC GCF Holdings Georgia, the compensation received amounted to GEL 2,455,025, after which the shares were distributed as follows:

Georgian Stock Exchange JSC	35.22%
Galt and Taggart JSC	21.59%
TBC Capital LLC	21.59%
LLC GCF Holdings Georgia	21.59%

Even though the Company has reduced its shares in TSE to 35.22%, 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 64.78% of TSE and 52% of the Company.
- The Company and TSE have the same General Director.

Kavkasreesrti JSC- The Company carries out securities registering services, consolidation, registration of transactions related to public and non-government securities, archiving and maintaining databases.

(D) PROPERTY, PLANT A-ND 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
Leasehold improvements	14.29% - 20% straight line

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. 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.

(E) INTANGIBLE ASSETS

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

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

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 5 and 10 years useful economic life (straight line method).

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

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.

(F) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Intangible assets with an 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.

(F) Financial Instruments

Initial recognition and measurement

The Company 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 Company 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.

Subsequent measurement of financial assets

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

A 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.

A 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 both collecting contractual cash flows and selling financial assets 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 at fair value through orfit or loss unless the Compnay makes an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

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

Typically trade and other receivables, loans issued, bank balances and cash are classified in this category.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

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.

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 Company assesses them collectively for impairment, based on the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

The schedule for assessing imapriment 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
Persentage 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 Company's continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Company classifies financial liabilities in one of the following two categories:

Liabilities at fair value through profit or loss (FVTPL) Liabilities are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or meet the conditions for designation in this category. All changes in fair value relating to liabilities at fair value through profit or loss are

charged to profit or loss as they arise.

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

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(G) Translation of foreign currencies

The functional currency of the Company is Georgian Lari ("GEL"). Transactions in foreign currencies are initially recorded in the functional currency using the official exchange rates of the National Bank of Georgia at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement are recognised in profit or loss.

The applicable exchange rates used were:

	Official currency rate of the National Bank of Georgia	
	USD	EUR
Exchange rate as at 31 December 2017	2.59	3.10
Exchange rate as at 31 December 2018	2.67	3.07
Average rate for the year ended 31 December 2017	2.51	2.83
Average rate for the year ended 31 December 2018	2.53	2.99

(H) Income tax

In accordance with the effective Georgian Tax Code, corporate income tax is not levied on profit earned but on the profit distributed as dividends. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of the net distribution. The income tax payable on dividends is recognised as an expense in the period in which the dividends are declared, irrespective of the period in which the dividends are ultimately distributed. Because of the specific nature of the taxation system, companies registered in Georgia do not acquire deferred tax assets or incur deferred tax liabilities on temporary differences between the carrying amounts and tax bases of their assets and liabilities.

(I) Provisions and contingencies

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event; it is probable that the Company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to a specific obligation. The increase in the provision due to the passage of time is recognised as interest expense. Provisions are not recognised for future operating losses. Contingent assets and contingent liabilities are not recognised.

(K) EQUITY

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

The Group recognizes in the share premium the gains generated by issuing shares in subsidiaris 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

Dividend distribution

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

The group paid dividends to subsidiaries non-controlling interest recognizes 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.

3. COMMISSION AND SUBSCRIBTION INCOME

	2018 GEL	2017 GEL
Commision income	153,819	150,259
Subscribtion income	77,798	75,287
TOTAL	**231,617**	**225,546**

4. INCOME FROM THE SERVICES RENDERED

	2018 GEL	2017 GEL
Income from listing	102,655	68,161
Income from custodian service	28,840	38,772
Income from the data supplied	83,553	81,234
Other service revenue	22,520	11,535
TOTAL	**237,568**	**199,702**

5. FINANCIAL INCOME

	2018 GEL	2017 GEL
Interest Income from held to maturity investments	73,641	31,966
Interest Income from Bank Deposits	50,087	65,702
TOTAL Financial Income	**123,728**	**97,668**

6. FOREIGN CURRENCY GAIN/LOSS

	Cash and Cash Equivalents GEL	Trade and other receivables GEL	Trade and other Payables GEL	Investments Held to maturity GEL	Total GEL
Foreign currency gain	75,196	9,898	195	149,695	234,984
Foreign currency loss	(92,780)	(6,359)	(151)	(98,370)	(197,660)
Net foreign currency gain/(loss) for the period of 2018	**(17,584)**	**3,539**	**44**	**51,325**	**37,324**

	Cash and Cash Equivalents GEL	Trade and other receivables GEL	Trade and other Payables GEL	Investments Held to maturity GEL	Total GEL
Foreign currency gain	211,070	19,699	448	136,924	368,141
Foreign currency loss	(385,640)	(20,158)	(380)	-71,367	(477,545)
Net foreign currency gain/(loss) for the period of 2017	**(174,570)**	**(459)**	**68**	**65,557**	**(109,404)**

7. PROPERTY AND EQUIPMENT

	Office Equipment	Leasehold Improvements	Total
COST	**GEL**	**GEL**	**GEL**
AT 01 January 2017	**184,401**	**33,842**	**218,243**
Additions	10,150	-	10,150
Disposals	-	-	-
AT 31 December 2017	**194,551**	**33,842**	**228,393**
Additions	7,571	-	7,571
Disposals	1,140	-	1,140
AT 31 December 2018	**200,982**	**33,842**	**234,824**
DEPRECIATION AND IMPAIRMENT			
AT 01 January 2017	**138,659**	**12,384**	**151,043**
Depreciation for the year	15,510	5,996	21,476
AT 31 December 2017	**154,169**	**18,350**	**172,519**
Depreciation for the year	13,623	6,538	20,161
Accumulated depreciation on disposed assets	(66)	-	(66)
AT 31 December 2018	**167,726**	**24,888**	**192,614**
NET CARRYING VALUE			
AT 01 January 2017	**45,742**	**21,458**	**67,200**
AT 31 DECEMBER 2017	**40,382**	**15,492**	**55,874**
AT 31 DECEMBER 2018	**33,256**	**8,954**	**42,210**

The cost of property and equipment which are fully depreciated for the reporting period is GEL 118,921.

8. INTANGIBLE ASSETS

	SOFTWARES AND WEBSITES	TOTAL
COST	**GEL**	**GEL**
AT 01 January 2017	**24,804**	**24,804**
Additions	-	-
Disposals	-	-
AT 31 December 2017	**24,804**	**24,804**
Additions	38,700	38,700
Disposals	-	-
AT 31 December 2018	**63,504**	**63,504**
AMORTIZATION AND IMPAIRMENT		
AT 01 January 2017	**(9,997)**	**(9,997)**
Amortization for the year	(2,011)	(2,011)
Accumulated amortization on disposed assets	-	-
AT 31 December 2017	**(12,008)**	**(12,008)**
Amortization for the year	(4,925)	(4,925)
Accumulated amortization on disposed assets	-	-
AT 31 December 2018	**(16,933)**	**(16,933)**
NET CARRYING VALUE		
AT 01 January 2017	**14,807**	**14,807**
AT 31 December 2017	**12,796**	**12,796**
AT 31 December 2018	**46,571**	**46,571**

The cost of intangible assets which are fully amortised for the reporting period is GEL 23,120.

9. HELD TO MATURITY FINANCIAL ASSETS

	Currency	Amount(USD)	Maturity date	Interest rate	2018 GEL	2017 GEL
Bonds of Georgian Leasing Company LLC	USD	400,000	August, 2020	7.0%	1,095,966	1,062,731
BGEO	USD	195,000	September, 2019	5.0%	530,946	-
Total					**1,626,912**	**181,677**
A provision for impairment of securities (see note #13)					(16,271)	-
Held to maturity financial assets					**1,610,642**	**1,062,731**

Interest income received from bonds during the reporting period was GEL 73,641 (2017: GEL 31,966).
There is no significant difference between coupon and effective interest rate of the held to maturity financial asset. Payment schedule is defined twice a year interest payment and principal payment at maturity date.

There is no material difference between the fair value and the carrying amount of held to maturity financial assets

A provision for impairment of securities, see note 12.

10. INVESTMENT SECURITIES

The Group holds 1.64% shares of Georgian Waterproject JSC, which is accounted at cost.
There were no any impairment indicators regarding investment securities during the reporting period.

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 period as well as at the end of the reporting period.

11. PREPAYMENTS FOR INTANGIBLE ASSETS

	2018 GEL	**2017 GEL**
Prepayment for purchase of intangible assets	606,436	425,343
Other prepayment related purchase of intangible assets	-	20,910
Non refundable tax capitalisation	105,249	70,026
Total	**711,685**	**516,279**

The prepayment for purchase of intangible asset includes payments to Montran Corporation (with place of business at 60E. 42ND street, Suite 464 New York, USA).

	01.01.2018	**01.01.2017**
Opening Balance	**516,279**	**-**
Amount paid during the year	216,628	516,279
Amount deducted during the year	(21,222)	-
Closing Balance	**711,685**	**516,279**

Prepayment for intangible assets includes prepaid fee for MONTRAN CORPORATION (FOUNDATION ADDRESS - 60E. 42ND STREET, Suite 464 New York, USA). At 31 January 2017 individual agreement

was settled between Georgian Central Security Depository, Tbilisi stock exchange ("members of Georgian Stock Exchange Group") and Montran Corporation.
Under the individual contract with the members of Georgian Stock Exchange Group the MONTRAN CORPORTAION took responsibility of implementation and technical support of new software which will be modern software for members of Georgian Stock Exchange Group and help them to provide their services more effectively as previous software of the Group is almost fully depreciated.

In December 2018, the first phase of the project was completed and the launch of the pilot program. Completion of the program is expected at the end of March 2019.
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12. OTHER FINANCIAL ASSETS, TRADE RECEIVABLES

	2018 GEL	**2017 GEL**
Trade receivables	81,902	108,722
The allowance for doubtful accounts (see note #13)	(33,493)	(58,199)
Prepayments, other assets	13,788	9,317
TOTAL	**62,197**	**59,840**

The allowance is made only for trade receivables

13. IMPAIRMENT EXPENE OF FINANCIAL ASSETS

	Allowance of Investments held for maturity	Allowance for trade receivables	Total
1-Jan-17	-	(37,408)	(37,408)
Write offs	-	6,585	6,585
Recover of write offs in provision	-	(26,378)	(26,378)
Impairment expense	-	(998)	(998)
31-Dec-17	-	(58,199)	(58,199)
Impact of Change in Accounting Policies (Note 2)	(3,720)	(6,908)	(10,628)
1-Jan-18	(3,720)	(65,107)	(68,827)
Write offs	-	48,494	48,494
Recover of write offs in provision*	-	2,917	2,917
Impairment expense*	(12,551)	(19,797)	(32,348)
At 31 December 2018	(16,271)	(33,493)	(49,764)

*Net amount is presented in the statement of profit or loss and other comprehensive income.

14. CASH AND CASH EQUIVALENTS

	2018 GEL	**2017 GEL**
Cash on hand	1,066	1,211
Cash at bank	347,296	293,892
Short-term deposits	287,319	1,414,349
TOTAL CASH AND CASH EQUIVALENTS	635,681	1,709,452

with the period less than one year and interest rate from 1% to 12.75%. The income from interest on deposits was GEL 50,087 (2017: GEL 65,702).

The cash is distributed in various banks as deposits, during the year 2018, the income received from deposits amounted to 50,087 GEL (2017: 65,702 GEL). Interest rate on bank deposits is 0,25% -12,75%.
There is no material difference between the fair value and the carrying amount of cash and cash equivalents.

15. SHARE CAPITAL, PREMIUM

Share capital consists of 3,000,000 common shares; par value of share is GEL 0.01.

Additional share issue in Tbilisi Stock Exchange JSC resulted in increase of the Group's share premium (see Note 3).

16. TRADE AND OTHER PAYABLES

	2018 GEL	2017 GEL
Payables to suppliers	22,625	63,178
Advances Received	110,872	-
Dividends payable	-	2,352
Other	641	-
TOTAL	**134,138**	**65,530**

Advances received consists of 3 large clients' advance payments for service fees for the period of 5 years.
There is no material difference between the fair value and the carrying amount of trade and other payables

17. PROVISION FOR PREMIUM

As at 31 December 2018 the Company's management made provision for premium which is distributed annually to General Director. As at their expectation there is more than 50% of probability that board will approve premium for General Director

	GEL
Provision as at 01 January 2017	**-**
Paid	-
Accrued	50,000
Provision as at 31 December 2017	**50,000**
Paid	(50,000)
Accrued	50,000
Provision as at 31 December 2018	**50,000**

18. RELATED PARTY TRANSACTIONS

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;

(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.

(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 Galt & Taggart JSC (17.33%- (including 2% in nominee ownership)). The key perssonel is deemed to be General Directors's and board members of the parent company and subsidiaries as well.

	2018 GEL	2017 GEL
RELATED PARTY TRANSACTIONS		
Incomings:		
Main shareholders	81,453	52,519
Other related parties	179,996	53,816
Expenditures:		
Other related parties	2,634	3,476

	2018 GEL	2017 GEL
OUTSTANDING BALANCES		
Trade receivables:		
Main shareholders	780	611
Other related parties	16,762	4,666
Trade and other payables:		
Main shareholders	85,345	1,067

CASH ON BANK ACCOUNTS	2018 GEL	2017 GEL
Cash on "Bank of Georgia" Accounts	159,093	537,829
Cash on "TBC Bank" Accounts	172,504	493,750

INVESTMENTS IN SECURITIES	2018 GEL	2017 GEL
Investments in "BGEO" Group Securities	525,636	-
Investments in "Georgian Leasing Copmpany" Securities	1,085,006	1,062,313

MANAGEMENT COMPENSATION	2018 GEL	2017 GEL
Salary and benefits	313,526	257,667

	2018 GEL	2017 GEL
Remuneration balances due to management	**50,000**	**50,000**

19 COMMITMENTS AND CONTINGENCIES

Contingencies regarding to operating lease
The company has signed an Operating Lease Agreement which expires on October 5, 2018, but if none of the parties express their wish to terminate the contract, the validity period of the contract shall be automatically extended for a period of one year.

Minimum lease payments are presented below:

	31.12.2018 GEL	**31.12.2017** GEL
Less than 1 year	98,152	80,037
1-5 year	-	-
TOTAL:	**98,152**	**80,037**

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.

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

1. **Plaintiff:** JSC „Georgian Stock Exchange'' (GSE) 38% minority shareholders
   Defendant: JSC „Georgian Stoack Exchange'' (GSE); JSC „Tbilisi Stock Exchange“ (TSE);
2. **Subject of dispute:**
   Establishment of a 100% subsidiary company of GSE and transfer of the assets required for the stock exchange activities.
3. **Current Status of dispute:**
   <u>Main issues of dispute:</u>
   1. On November 19th, 2018 a judge made decision in favour of defendant (TSE and GSE).
   2. Minority shareholders appealed decision to the Court of Appeal.

3. As of March 28th, 2019 there are no sessions appointed at the Court of Appeal.

Assessment of probability of a negative settlement of dispute. Also, assessment of the level and amount that a damage can cause. According to the Paent Company's estimates, the likelihood of a negative settlement of the dispute is low. There is no expectation for any loss of any kind.

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

Management of the company manages risks by cooperation with operating units. Because of the simplicity of the company'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	**31.12.2018** GEL	**31.12.2017** GEL
Cash and cash equivalents	634,615	1,708,674
Trade and other receivables	48,409	50,523
Investments held for maturity	1,246,740	1,062,731
Financial assets for sale	54,085	54,085
Total financial assets	**1,983,849**	**2,876,013**
Financial liabilities		
Trade and other payables	23,266	65,530
Total financial liabilities	**23,266**	**65,530**

Credit risk

The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due.

The Company's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet.

	31.12.2018 GEL	**31.12.2017** GEL
Cash and cash equivalents	634,615	1,708,674
Trade and other receivables	48,409	50,523
Investments held for maturity	1,246,740	1,062,731
Investment securities	54,085	54,085
Total financial assets	**1,983,849**	**2,876,013**

As note 14. Defines, cash and cash equivalents consists of cash in bank accounts and short-term deposits.

Expected credit loss measurement

The Group uses a "three-stage" model for impairment based on changes in credit qulity since initial recognition sumurised bellow:

- A financial instrument that is not credit-impaired on initial recognition is classified in "stage 1" and has its credit risk continiusly monitored by the Group.
- If a significant increase in credit risk (SICR) 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 in stage 1 have thie ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within next 12 months. Instruments in stages 2 and 3 have their ECL 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)
12-moth expected credit loss	Liftime expected credit losses	Liftime expected credit losses

The Groups all financial assets in this consolidated financial statements, other than trade receivables, are classified in stage 1 as at beginning and end of the 2018 year.

As for trade receivables the Group uses the simplified approach is based on days overdue. The company has five overdue ranges: less than 30 days, 31-60 days, 61-90 days, 91-180 days and more than 180 days. ECL percentage is based on company`s operating sector and previous experience. Expected credit loss table is presented below:

Days Overdue	< 30	31-60	61-90	91-180	>180
ECL Percentage	2%	5%	25%	50%	100%

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

Loss allowances will be measured on either of the following bases: a) 12-month ECLs - If the credit risk on a financial instrument has not increased significantly since initial recognition b) lifetime ECLs - 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 company used 12-month ECL for investment held-to-maturity.

Liquidity risk - Financial liabilities maturity analysis

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations arising from its financial obligations. It refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match.

Liquidiy risk as at 31 December 2018 can be presented as follows:

	Weighted average effective interest rate	Up to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets					
Cash and cahs qeuivalents		634,615	-	-	634,615
Trade receivables		48,409	-	-	48,409
Investment held to maturity	7%	529,312	717,428	-	1,246,740
Investment securities				54,085	54,085
Total financial assets		**1,212,336**	**717,428**	**54,085**	**1,983,849**
Financial liabilities					
Trade payables		23,266	-	-	23,266
Total financial liabilities		**23,266**	**-**	**-**	**23,266**
Liquidity Gap		**1,189,070**	**717,428**	**54,085**	**1,960,583**

Liquidiy risk as at 31 December 2017 can be presented as follows:

	Weighted average effective interest rate	Up to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets					
Cash and cahs qeuivalents	5.5%	1,708,674	0	0	1,708,674
Trade receivables		50,523	0	0	50,523
Investment held to maturity	7%		1,062,731	0	1,062,731
Investment securities				54,085	54,085
Total financial assets		**1,759,197**	**1,062,731**	**54,085**	**2,876,013**
Financial liabilities					
Trade payables		65,530	-	-	65,530
Total financial liabilities		**65,530**	**-**	**-**	**65,530**
Liquidity Gap		**1,693,667**	**717,428**	**54,085**	**2,810,483**

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. However, changes in interest rates do not impact any component of the company’s financial assets or liabilities. All borrowings and cash and cash equivalents have fixed interest rates and therefore management do not believe the Company is exposed to the interest rate risk from these financial assets and liabilities

The interest rate exposure is presented bellow:

	31.12.2018		31.12.2017	
In % P.A	**GEL**	**USD**	**GEL**	**USD**
Cash and cash equivalents	5.5-9.5%	0.5-0.75%	5.5-12%	0.5-0.75%
Invetment held to maturity	-	5%; 7%	-	7%

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to the Company’s operating activities (when revenue or expense is denominated in a different currency from the Company’s functional currency) and the Company’s financial liabilities denominated in foreign currencies.
The Company does not hedge its exposure to currency risk.

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

As of 31 December 2018:	Cash and cash equivalents	Trade and other receivables	Investments held for maturity	Total
	GEL	GEL	GEL	GEL
USD	199,243	50,938	1,610,641	1,820,822
EUR	5,792	-		5,792
GBP	1,087	-		1,087
Total	**206,122**	**50,938**	**1,610,641**	**1,827,701**

As of 31 December 2017:	Cash and cash equivalents	Trade and other receivables	Investments held for maturity	Total
	GEL	GEL	GEL	GEL
USD	1,058,876	6,999	1,062,731	2,128,606
EUR	4,334	-	-	4,334
GBP	940	-	-	940
Total	**1,064,150**	**6,999**	**1,062,731**	**2,133,880**

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the US Dollar would decrese / increase 2018 profits after tax by GEL 182,082 (2017: 212,860).

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the EUR would decrese / increase 2018 profits after tax by GEL 579 (2017: 433).

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the GBP would decrese / increase 2018 profits after tax by GEL 109 (2017: 94).

21. EVENTS AFTER THE REPORTING PERIOD

No significant events happened after the reporting period.