GEORGIAN CENTRAL SECURITIES DEPOSITORY JSC

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

In preparing the 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 financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

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

The financial statements for the year ended 31 December 2016 were approved on behalf of the management on 27 March 2017 by:

Gaioz Sanadze	General Director	______________________
Khatuna Gvilava	Chief Accountant	______________________

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT OF GEORGIAN CENTRAL SECURITES DEPOSITORY JSC

Qualified Opinion

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

In 2003 intangible assets and property, plant and equipment were contributed into the company's equity. The assets were recognized at estimated value, which comprised GEL 85,000. We were unable to obtain reasonable assurance in order to confirm the equity increase by the mentioned amount.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

27 March 2017

RSM Georgia

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 GEL	2015 GEL
Fee and commission income		58,032	41,174
Other operating income		14,672	12,000
Total Income		**72,704**	**53,174**
Salary expenses		(128,150)	(120,154)
Rent expenses		(17,185)	(12,669)
Consulting fees		(5,000)	(14,573)
Depreciation expense	4	(2,601)	(2,552)
Other operating expense		(9,495)	(10,881)
Representative expenses		(35,506)	-
Financial income	8	22,046	5,625
Revenue from sponsors	11	61,706	-
FX gain/loss		(28,775)	79,356
Non-operating loss		-	(398)
PROFIT (LOSS) BEFORE TAX		**(70,256)**	**(23,072)**
Income tax expense	3	(3,991)	4,029
PROFIT (LOSS) FOR THE YEAR		**(74,247)**	**(19,043)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(74,247)**	**(19,043)**
EARNINGS PER SHARE	12		
BASIC & DILUTED		**(0.69)**	**(0.19)**

Gaioz Sanadze General Director ______________________

Khatuna Gvilava Chief Accountant ______________________

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

		2016	2015
ASSETS	Note	GEL	GEL
NON-CURRENT ASSETS			
Property and equipment	4	7,431	10,032
Intangible assets	5	-	-
Deferred tax assets	6	-	3,991
Total non-current assets		**7,431**	**14,023**
CURRENT ASSETS			
Income tax asset		4,897	4,897
Trade and other receivables	7	10,590	6,801
Cash and cash equivalents	8	1,374,771	343,231
Total current assets		**1,390,258**	**354,929**
TOTAL ASSETS		**1,397,689**	**368,952**
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	9	405,699	101,200
Share premium	9	809,501	10,800
Retained earnings		180,317	254,564
TOTAL EQUITY		**1,395,517**	**366,564**
CURRENT LIABILITIES			
Trade and other payables		2,172	2,388
Total current liabilities		**2,172**	**2,388**
TOTAL LIABILITIES		**2,172**	**2,388**
TOTAL EQUITY AND LIABILITIES		**1,397,689**	**368,952**

Gaioz Sanadze General Director ______________________

Khatuna Gvilava Chief Accountant ______________________

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

		SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL EQUITY
	Note	GEL	GEL	GEL	GEL
At 31 December 2014		**101,200**	**10,800**	**273,607**	**385,607**
Other comprehensive income for the year		-	-	(19,043)	19,043
At 31 December 2015		**101,200**	**10,800**	**254,564**	**366,564**
Other comprehensive income for the year		-	-	(74,247)	(74,247)
Issue of shares	9	304,499	798,701	-	1,103,200
At 31 December 2016		**405,699**	**809,501**	**180,317**	**1,395,517**

Gaioz Sanadze General Director ______________________

Khatuna Gvilava Chief Accountant ______________________

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 GEL	2015 GEL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers		68,915	67,225
Cash outflow to suppliers and salary payments		(195,552)	(154,303)
Cash outflow for income tax		-	(8,200)
Cash received from interest		83,752	5,625
Net cash generated by (used in) operating activities		**(42,885)**	**(89,653)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of certificate of deposits		-	20,000
Acquisition of property plant and equipment	4	-	(17,515)
Net cash used in investing activities		**-**	**2,485**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	9	1,103,200	-
Net cash generated by (used in) financing activities		**1,103,200**	**-**
CASH AND CASH EQUIVALENTS			
At 1 January	8	**343,231**	**351,043**
Net increase in the year		1,060,315	(87,168)
Effect of exchange rate changes on cash and cash equivalents held		(28,775)	79,356
At 31 December	8	**1,374,771**	**343,231**

Gaioz Sanadze General Director ______________________

Khatuna Gvilava Chief Accountant ______________________

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NOTES

1 GENERAL INFORMATION

Georgian Central Securities Depository JSC (hereinafter - “Company”), was established on 1 November 1999 according to the legislation of Georgia.

The Company’s main activity is holding members securities in nominee ownership, provision of clearing and settlement operations with these securities, and provision of other types of services permitted by Georgian legislation.

The founder of the company is the Georgian Stock Exchange JSC.

In December of 2016 the Company issued 304,499 new shares with a par value of GEL 1 per share and a selling price of GEL 3.62 per share. All shares were sold to Tbilisi Stock exchange JSC, for a total of GEL 1,103,200. As a result the Company’s share capital and share premium have increased by GEL 304,499 and GEL 798,701 respectively.

As at 31 December 2016, the company’s share ownership was as follows:

Georgian Stock Exchange JSC owns - 24.64%;

Tbilisi Stock Exchange” JSC - 75.06%;

Others – 0.3%

As at 31 December 2015, the company’s share ownership was as follows:

Georgian Stock Exchange JSC-98.81%

Others -1.19%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

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

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

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

Depository activities

The Company provides depository services to its customers, which include transactions with securities on their depository accounts. Assets accepted and liabilities incurred under the depository activities are not included in the Company’s Financial Statements. The Company accepts the operational risk on these activities, but Company’s customers bear the credit and market risks associated with such operations. Revenue from provision of depository services is recognised at the time when services are provided.

Measurement bases

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company (though working closely with external qualified valuers) using valuation techniques that maximise

the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Application of new and amended standards

For the preparation of these financial statements, the following new or amended standards are mandatory for the financial year beginning 1 January 2016:

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

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

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

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

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

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

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

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

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

New and amended standards in issue but not yet effective

The Company has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2016:

The 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.

• Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, require entities to provide information that enable users of financial statements to evaluate changes in liabilities arising from their financing activities. This is not expected to have a material effect on the Company's financial statements.

• Amendments to IAS 12 titled Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, clarify the accounting for deferred tax assets related to unrealised losses on debt instruments measured at fair value, to address diversity in practice. This is not expected to have an effect on the Company's financial statements.

• Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Company's financial statements.

• Amendments to IFRS 4 titled Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016) - The amendments give all entities that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before implementing the replacement insurance contracts Standard for IFRS 4 that is under drafting by the Board. Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption from applying. IFRS 9 (until 2021), thus continuing to apply IAS 39 instead. As the Company has not issued insurance contracts, the amendments are not expected to have an effect on its financial statements.

• IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The derecognition provisions are carried over almost unchanged from IAS 39.

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

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

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

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

(B) INCOME AND EXPENSE RECOGNITION

Interest income and expense are recorded for all debt instruments on an accrual basis.

The Company recognises revenue/income when it is probable that future economic benefits will flow into the company and is measured reliabley; it is relibile to mesuare the stage of completion at the end of the reporting date and is visable to measure the costs of complete transaction. The income is measured at fair value received or receivable from sale of goods or services.

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.

(C) PROPERTY AND EQUIPMENT

On initial recognition, items of property and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After initial recognition, items of property and equipment are carried at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Office Equipment	20% straight line
Leasehold Improvement	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 and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leased assets

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

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

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

(D) INTANGIBLE ASSETS

On initial recognition, intangible assets acquired ly are measured at cost. The cost of a seperetly 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 useful economic life of five years using 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.

(E) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

(F) FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

In addition, for accounts receivable that are assessed not to be impaired individually, the Company assesses them collectively for impairment, based on the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for accounts receivable, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

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

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

Derecognition of financial assets

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

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

Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorized on initial recognition. For the fiscal year the company did not classify any financial liability, as *Liabilities at fair value through profit or loss (FVTPL)*

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

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 (i.e. extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognized in profit or loss.

Cash and cash equivalents

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

(G) FOREIGN CURRENCY TRANSACTIONS

The functional currency of the Company is GEL. Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the Company using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss.

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

	National Bank of Georgia official exchange rates		
	USD	EUR	GBP
Exchange rate as at 31 December 2016	2.6468	2.7940	3.2579
Exchange rate as at 31 December 2015	2.3949	2.6169	3.5492
Average rate for the year ended 31 December 2016	2.3667	2.6172	3.2051
Average rate for the year ended 31 December 2015	2.2702	2.5204	3.4732

(H) INCOME TAX

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

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

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

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

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

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

Deferred tax assets and liabilities are recognized in respect of all temporary differences (see Note 6).

(I) PROVISIONS

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

(J) 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.

3 INCOME TAX EXPENSE

	2016	2015
	GEL	GEL
Current income tax	-	-
Deferred tax (see Note 6)	3,991	4,029
TOTAL INCOME TAX EXPENSE	**3,991**	**4,029**

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

On May 2016 the Parliament of Georgia aproved significant changes in Georgian Tax code, which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The changes are effective for tax periods starting after 1 of January 2017. The effects on the deferred tax see in note 6.

Reconciliation of income tax:	2016	2015
	GEL	GEL
Accounting loss before tax for the year	(70,256)	(23,072)
Corporation tax charge (benefit) there on at 15%	**(10,538)**	**(3,461)**
Expenses not deductible for tax purposes	4,860	(568)
INCOME TAX EXPENSE FOR THE YEAR	**(5,678)**	**(4,029)**
EFFECTIVE TAX RATE	**8%**	**17%**

4 PROPERTY AND EQUIPMENT

	Office equipment	Leasehold improvement	TOTAL
	GEL	GEL	GEL
COST			
AT 1 JANUARY 2015	**26,603**	**-**	**26,603**
Acquisitions	7,890	9,625	17,515
Disposals	(5,350)	-	(5,350)
AT 31 DECEMBER 2015	**29,143**	**9,625**	**38,768**
Acquisitions	-	-	-
Disposals	-	-	-
AT 31 DECEMBER 2016	**29,143**	**9,625**	**38,768**
DEPRECIATION AND IMPAIRMENT			
AT 1 JANUARY 2015	**26,230**	**-**	**26,230**
Depreciation for the year	627	1,925	2,552
Disposals	(46)	-	(46)
AT 31 DECEMBER 2015	**26,811**	**1,925**	**28,736**
Depreciation for the year	676	1,925	2,601
Disposals	-	-	-
AT 31 DECEMBER 2016	**27,487**	**3,850**	**31,337**
NET CARRYING AMOUNT			
AT 31 DECEMBER 2015	**2,332**	**7,700**	**10,032**
AT 31 DECEMBER 2016	**1,656**	**5,775**	**7,431**

5 INTANGIBLE ASSETS

The company uses software with the amount of GEL 120,338, which is fully amortised.

6 DEFERRED TAX

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

	2016	2015
	GEL	GEL
Deferred tax assets	-	3,991
Deferred tax liabilities	-	-
NET BALANCE	**-**	**3,991**

DEFERRED TAX ASSETS	RECOGNISED IN PROFIT OR LOSS
AS AT 1 JANUARY 2015	**(38)**
Tax losses	4,029
AS AT 31 DECEMBER 2015	**3,991**
Tax losses	(3,991)
AS AT 31 DECEMBER 2016	**-**

On May 2016 the Parliament of Georgia aproved significant changes in Georgian Tax code, which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The changes are effective for tax periods starting after 1 of January 2017.

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

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

7 FINANCIAL ASSETS, ACCOUNT RECEIVABLES

	2016	2015
	GEL	GEL
Account receivables	11,515	7,726
The allowance for doubtful accounts	(925)	(925)
TOTAL	**10,590**	**6,801**

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

8 CASH AND CASH EQUIVALENTS

	2016	2015
	GEL	GEL
Cash on hand	55	7
Cash at bank	7,083	25,599
Short-term deposits	1,367,633	317,625
TOTAL CASH AND CASH EQUIVALENTS	**1,374,771**	**343,231**

The cash is distributed in various banks as deposits. The income from interest on deposits was GEL 22,046 (2015: 5,625 GEL).

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

9 SHARE CAPITAL, PREMIUM

In December of 2016, the Company issued 304,499 new shares with a par value of GEL 1 per share and a selling price of GEL 3.62 per share. All shares were sold to Tbilisi Stock Exchange JSC, for a total of GEL 1,103,200. As a result, the Company's share capital and share premium have increased by GEL 304,499 and GEL 798,701 respectively.

The Company did not issued dividend during the fiscal year of 2016.

As at 31 December 2015, the Company's share capital consisted of 101,200 shares for GEL 1 par value.

10 RELATED PARTY TRANSACTIONS

	2016	2015
	GEL	GEL
RELATED PARTY TRANSACTIONS		
Incomes from founder	12,000	12,000
Incomes from founders subsidiary	5,305	5,305
Income from other related parties	5,217	4,463
Purchases from founder	-	8,536
Purchases from founders subsidiary	-	138
Cash received from issued capital (Tbilisi Stock Exchange JSC)	1,103,200	-

	2016	2015
	GEL	GEL
OUTSTANDING BALANCES		
Trade receivables	1,393	6,331
Trade and other payables	-	394

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

	2016	2015
KEY MANAGEMENT COMPENSATION	**GEL**	GEL
Wages, salaries and short-term benefits	64,300	64,620

11 REVENUE FROM SPONSORS

On 8 and 9 Septmber 2016, the 13th International Conference of the Association of Eurasian Central Securities Depositories was held in Georgia. Georgian Central Securities Depository JSC had hosted the conference.The Company has approached the participants of the conference and some firms related thereto with a request to sponsor the conference expenses. Seven companies have expressed their desire to become a sponsor and the sponsorship amounted to USD 27,000, which equals to GEL 61,607.

12 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The company owns only ordinary shares.

As a result of 304,499 additional shares issued in December 2016, the weighted average number of shares amounted to 107,856.

The Company had 101,200 shares at the beginning of reporting period.

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

	2016	2015
	GEL	GEL
Net income attributable to common stockholders	(74,247)	(19,043)
Profit (loss) for the year	**(74,247)**	**(19,043)**
Weighted average number of shares	107,856	101,200
Basic and diluted	**(0.69)**	**(0.19)**

13 INFORMATION ON FINANCIAL RISKS

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

- Credit risk: the possibility that a debtor will 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
    - Securities price risk

In the reporting period exposure to the risks mentioned above, except currency risk is unessential.

Credit risk
Assets and liabilities denominated in foreign currency create credit risk. The Company has not formal procedures to handle credit risk, but management seem themselves well-informed in current processes of economic and they make some efforts to reduce risk. These efforts mostly are to manage foreign currency deposits.

For the fiscal year the Company had only cash and cash equivalents denominated in foreign currency.

The table below summarizes the Company exposure to foreign currency exchange rate risk at 31December 2016:

	CASH AND CASH EQUIVELANTS
	GEL
Georgian Lari	213,579
US Dollars	1,161,192
TOTAL	**1,374,771**

The table below summarizes the Company exposure to foreign currency exchange rate risk at 31December 2015:

	CASH AND CASH EQUIVALENTS
	GEL
Georgian Lari	182,019
US Dollars	161,212
TOTAL	**343,231**

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the US Dollar would cut / increase 2016 profits after tax by GEL 17,418 (2015: GEL 13,703).

14 EVENTS AFTER THE REPORTING PERIOD

This financial statement was approved for publishing by the Company's Management on 27 March 2017.

15 SIGNIFICANT JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing its financial statements, the Company has not made any significant judgements, estimates and assumptions that impact the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes, except of those mentioned in summary of significant accounting policies.