JSC GEORGIAN CENTRAL SECURITIES DEPOSITORY

Financial Statements

For the year ended December 31, 2019

And

Independent Auditors' Report

CONTENT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management of JSC Georgian Central Securities Depository is responsible for the accompanying financial statements.

This responsibility includes:

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

Management is also responsible for:

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

The financial statements for the year ended December 31, 2019 have been approved by the management and signed on its behalf:

Evgeni Peevski	Nino Kurdiani
General Director	Financial Director

JSC Georgian Central Securities Depository

Date: April 22, 2020

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INDEPENDENT AUDITORS' REPORT
JSC Georgian Central Securities Depository

Qualified opinion

We have audited the financial statements of JSC Georgian Central Securities Depository (the "Company") which comprise the statement of financial position as of December 31, 2019 and the statement of comprehensive income, statement of cash flows and statement of changes in equtiy for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,except for the effects of the matters 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 of December 31, 2019 and of 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, therefore our opinion on the financial statements as of December 31, 2019 is modified due to the possible effect of this matter on current year and corresponding figures.

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) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia; and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw your attention to the fact that the presented numerical data, except for the adjustments described in Note 2.15, are based on Company's financial statements as of December 31, 2018, which were audited by other auditors who expressed a modified opinion on this financial statements on March 28, 2019. As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 2.15 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

Other Matter

The audit of the Company's financial statements for the year ended December 31, 2018 was conducted by another auditor who expressed a modified opinion on this financial statements on March 28, 2019.

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 (IFRS), and for such internal control as management determines is necessary to enable the preparation of financials tatements 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.

Auditors' Responsibility 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 raud is higher than for one resuting from error, as fraud may involve collusion, forgery, intentional ommisiions, misrepresentation, or the override of internal control.

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

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

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 statement, incuding the disclosures, and whether the financial statement represents 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.

Mikheil Abaiadze / Certified Auditor / Partner

Audit Firm Registration Number: SARAS-F-320544
Auditor Registration Number: SARAS-A-865011

Date: April 22, 2020
Tbilisi, Georgia

STATEMENT OF FINANCIAL POSITION

	Notes	31-Dec-19	12-Dec-2018 Restated
Cash and cash equivalents	3	677,989	61,790
Trade and other receivables	4	11,967	18,324
Total current assets		**689,956**	**80,114**
Property, plant and equipment	5	3,927	4,416
Intangible assets	6	1,050,257	949,876
Held to maturity financial assets	7	-	705,207
Total non current assets		**1,054,184**	**1,659,499**
Total assets		**1,744,140**	**1,739,613**
Trade and other liabilities		3,562	2,391
Tax liability		41,581	119,362
Total current liabilities		**45,143**	**121,753**
Long-term liability to purchase intangible assets		192,854	528,684
Total liabilities		**237,997**	**650,437**
Share capital	8	598,910	405,699
Share premium		1,316,293	809,501
Retained earnings		(409,060)	(126,024)
Total equity		**1,506,143**	**1,089,176**
Total equity and liabilities		**1,744,140**	**1,739,613**

Evgeni Peevski
General Director

Nino Kurdiani
Financial Director

JSC Georgian Central Securities Depository

Date: April 22, 2020

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019	2018
Commission and subscription income	10	142,839	84,740
Other operating income	10	16,717	12,000
Total income		**159,556**	**96,740**
Salary expenses		(373,835)	(285,437)
Rent expenses		(20,449)	(18,575)
Consulting fees		(8,250)	(7,031)
Maintenance expense of securities		(4,000)	-
Depreciation and amortization expense		(4,042)	(2,972)
Representative expenses		-	(2,354)
Financial assets impairment reserve (expense) / recovery	14	7,125	(1,922)
Other operating expenses	11	(20,662)	(22,954)
Net foreign exchange gain / (loss)	13	(29,072)	17,389
Finance Income	12	10,593	53,464
Net profit/loss for the year		**(283,036)**	**(173,652)**
Other comprehensive income for the year		**(283,036)**	**(173,652)**
Earnings per share			
Basic and diluted	9	**(0.59)**	**(0.43)**

Evgeni Peevski
General Director

Nino Kurdiani
Financial Director

JSC Georgian Central Securities Depository

Date: April 22, 2020

STATEMENT OF CASH FLOWS

	Notes	2019	2018
Cash received from customers		160,261	95,437
Cash outflow to suppliers and salary payments		(478,656)	(341,184)
Interest received		21,690	53,831
Cash flows from operating activities		**(296,705)**	**(191,916)**
Net increase in held to maturity financial assets		712,476	-
Acquisition of intangible assets		(490,677)	(6,350)
Acquisition of property, plant and equipment		(2,954)	(1,663)
Cash flows from investing activities		**218,845**	**(8,013)**
Receipts from issuance of shares		700,003	-
Cash flows from financing activities		**700,003**	**-**
Net increase / (decrease) for the year		**622,143**	**(199,929)**
Cash and cash equivalents at the beginning of the year		61,790	269,266
Effect of exchange rate changes on cash and cash equivalents held		(5,944)	(7,547)
Cash and cash equivalents at the end of the year	**3**	**677,989**	**61,790**

Evgeni Peevski
General Director

Nino Kurdiani
Financial Director

JSC Georgian Central Securities Depository

Date: April 22, 2020

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share Premium	Retained earning	Total Equity
Balance as at 1-Jan-2018	**405,699**	**809,501**	**47,628**	**1,262,828**
Loss for the year	-	-	(173,652)	**(173,652)**
Balance as at 31-Dec-2018	**405,699**	**809,501**	**(126,024)**	**1,089,176**
Issue of shares	193,211	506,792	-	**700,003**
Loss for the year	-	-	(283,036)	**(283,036)**
Balance as at 31-Dec-2019	**598,910**	**1,316,293**	**(409,060)**	**1,506,143**

Evgeni Peevski
General Director

Nino Kurdiani
Financial Director

JSC Georgian Central Securities Depository

Date: April 22, 2020

1 General information

JSC Georgian Central Securities Depository (hereinafter - "Company"), was established on 1 November 1999 according to the legislation of Georgia. The legal address of the company is: Vazha-Pshavela N71, 10th block, 7th floor, Tbilisi 0186. General Director of the company: Evgeni Peevsky.

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.

The founder of the company is the JSC Georgian Stock Exchange (hereinafter – "Founder").

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 3.623 per share. As a result, the Company's share capital and share premium have increased by GEL 304,499 and GEL 798,701, respectively. All shares were sold to JSC Tbilisi Stock Exchange, for a total of GEL 1,103,200.

During the year 2019 The company issued additional 193,211 shares, with a nominal value of 1 GEL per share, and the selling price was 3.623 GEL, as a result of which the Company's share capital and share premium increased by 193,211 GEL and GEL 506,792, respectively. All shares were sold to JSC Tbilisi Stock Exchange for a total amount of GEL 700,003.

For the year ended December 31, 2019 JSC Georgian Stock Exchange is 16.70% (2018: 24.64%) shareholder of the Company, JSC Tbilisi Stock Exchange - 83.10% (2018: 75.06%), and other shareholders - 0.2%. JSC Georgian Stock Exchange owns 27.87% of shares in JSC Tbilisi Stock Exchange (2018: 35.22%) and, accordingly, indirectly owns 13.87% of the Company's shares (2018: 26.4%).

Main Shareholders

For the years ended December 31, 2019 and 2018 main shareholders are:

	31-Dec-19	**31-Dec-18**
JSC Georgian Stock Exchange	16.70%	24.64%
JSC Tbilisi Stock Exchange	83.10%	75.06%
Others	0.20%	0.30%
	100.00%	**100.00%**

2 Summary of significant accounting policies

2.1 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 2019.

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

The Company presents the comprehensive income 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 run from a business point of view. The statement of financial position format is based on a current / non-current distinction.

2 Summary of significant accounting policies (continued)

2.2 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.

2.3 Measurement bases

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the 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 using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g.. by use of the market comparable approach that reflects recent transaction prices for similar items, 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 (i.e. as prices) or indirectly (i.e. derived from prices).

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

2.4 New or amended standards adopted

IFRS 16 - Leases

The IASB issued the new standard for accounting for leases−IFRS 16 Leases in January 2016. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessee to recognize most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

Impact of implementation of new standards

Implementation of IFRS 16 did not have any material impact on the Company's financial statements.

2 Summary of significant accounting policies (continued)

2.5 New and amended standards in issue but not yet effective

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

a) Definition of Material - Amendments to IAS 1 and IAS 8
b) Business definition - Amendments to IFRS 3;
c) Amendments to the Conceptual Framework for Financial Reporting;
d) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 ;
e) IFRIC 23 — Uncertainty over Income Tax Treatments

2.6 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.

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

Subsequent measurement of financial assets

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

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

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by 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 fair value through profit or loss unless the Company makes an irrevocable election at initial recognition for investments in equity instruments to present subsequent profit or loss in the statement of other comprehensive income.

2 Summary of significant accounting policies (continued)

2.6 Financial Instruments (continued)

Impairment of financial assets

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.

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 impairment allowance for trade receivables is presented bellow:

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

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

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

2 Summary of significant accounting policies (continued)

2.6 Financial Instruments (continued)

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.

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 recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in banks and other current (up to 90 days) Liquid investments, are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.7 Property, plant and equipment

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

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives as follows:

Office equipment	20% straight-line method
Leasehold Improvement	20% straight-line method

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.

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

Leased assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the Company. 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.

2.8 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 amortization and impairment losses. The estimated useful life and amortization method are revised at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization

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

Intangible assets with an indefinite useful life are not amortized, 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.

2.9 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 statement of profit or loss to its estimated recoverable amount. 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 that have an indefinite useful life are tested annually for impairment, regardless of whether there are any indications of impairment (or more often if events or changes in circumstances indicate to impairment).

2 Summary of significant accounting policies (continued)

2.10 Transactions in foreign currency

The functional currency of the Company is Georgian Lari (“GEL”). Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the official exchange rates of the National Bank of Georgia at the reporting date. All exchange differences arising on settlement are recognised in profit or loss.

Non-monetary assets and liabilities in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

	USD	EUR
Exchange rate as at 31 December 2019	2.8677	3.2095
Exchange rate as at 31 December 2018	2.6766	3.0701
Average rate for the year 2019	2.8192	3.1553
Average rate for the year 2018	2.5345	2.9913

2.11 Income tax

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

2.12 Provisions and contingencies

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

2.13 Equity

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

Dividend distribution

Dividends are recognised as liabilities when they are declared. 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.

2 Summary of significant accounting policies (continued)

2.14 Recognition of revenue and expenditures

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. For each contract the Company takes the following steps: Identifies the contract existence, identifies the performance obligations, determines the transaction price, allocates the transaction price to each performance obligation and recognizes the revenue only when the all performance obligation is fulfilled in a manner of transferring all promised good or service.

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

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

2.24 Comparative information

Comparative information is also reclassified in compliance with the current year's financial statements.

Summary of the adjustments made as a result of recalculations in the statement of financial position for the year ended December 31, 2018, are presented in the table below:

Statement of Financial Position

31 December, 2018

	Previous period	Reclassification	Restated
Intangible assets	6,244	943,632	949,876
Prepayments for purchase of intangible asset	287,929	(287,929)	-
Tax asset	7,657	(7,657)	-
Overall impact on total assets	**301,830**	**648,046**	**949,876**
Tax Liability	-	119,362	119,362
Long-term liability for purchasing intangible assets	-	528,684	528,684
Overall impact on total equity and liability	**-**	**648,046**	**648,046**

The management believes that current presentation provides information that is accurate, more relevant and useful for the users of the financial statements.

3 Cash and cash equivalents

	31-Dec-19	31-Dec-18
Cash in bank	622,168	9,381
Bank deposits	55,821	52,371
Cash on hand	-	38
Total cash and cash equivalents	**677,989**	**61,790**

Bank deposits consists of short-term deposits, which accrue interest 5.5-6.5%. For details about interest income from deposits in 2019 and 2018, see the note 12.

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

4 Trade and other receivables

	31-Dec-19	31-Dec-18
Trade receivable	13,672	16,384
Prepayments	-	3,645
Minus: The allowance for doubtful accounts (See: Note 14)	(1,705)	(1,705)
Total trade and other receivables	**11,967**	**18,324**

At the end of the reporting period there was not material difference between the fair value of receivables and their carrying amount.

5 Property, plant and equipment

	Office equipment	Leasehold improvement	**Total**
Cost			
As at 31-Dec-2017	**29,995**	**9,625**	**39,620**
Additions	1,663	-	1,663
As at 31-Dec-2018	**31,658**	**9,625**	**41,283**
Additions	2,922	-	2,922
Disposals	(140)	-	(140)
As at 31-Dec-2019	**34,440**	**9,625**	**44,065**
Accumulated depreciation			
As at 31-Dec-2017	**(28,226)**	**(5,775)**	**(34,001)**
Depreciation for the year	(941)	(1,925)	(2,866)
As at 31-Dec-2018	**(29,167)**	**(7,700)**	**(36,867)**
Depreciation for the year	(3,006)	(401)	(3,407)
Disposals	136	-	136
As at 31-Dec-2019	**(32,037)**	**(8,101)**	**(40,138)**
Net carrying amount			
As at 31-Dec-2017	**1,769**	**3,850**	**5,619**
As at 31-Dec-2018	**2,491**	**1,925**	**4,416**
As at 31-Dec-2019	**2,403**	**1,524**	**3,927**

The company has fully depreciated assets with historical cost of 40,369 GEL (2018: 29,992 GEL). The company makes use of those fully depreciated assets in operational activities.

6 Intangible assets

	Computer software	Other intangible assets	Total
Cost			
As at 31-Dec-2017	**-**	**20,826**	**20,826**
Additions	943,632	6,350	949,982
As at 31-Dec-2018	**943,632**	**27,176**	**970,808**
Additions	101,016	-	101,016
As at 31-Dec-2019	**1,044,648**	**27,176**	**1,071,824**
Accumulated amortization and impairment			
As at 31-Dec-2017	**-**	**(20,826)**	**(20,826)**
Amortization for the year	-	(106)	(106)
As at 31-Dec-2018	**-**	**(20,932)**	**(20,932)**
Amortization for the year	-	(635)	(635)
As at 31-Dec-2019	**-**	**(21,567)**	**(21,567)**
Net carrying amount			
As at 31-Dec-2017	**-**	**-**	**-**
As at 31-Dec-2018	**943,632**	**6,244**	**949,876**
As at 31-Dec-2019	**1,044,648**	**5,609**	**1,050,257**

Intangible assets include the implementation of software (a new clearing and settlement systems) under an agreement with MONTRAN CORPORATION and other intangible assets. In November, 2018, the contracted asset was delivered by MONTRAN CORPORATION to the company, after which the classification criteria as intangible assets was satisfied and the Company recognized an intangible asset. Currently, the asset is in use by the company, although it still lacks several modules that should be integrated by MONTRAN CORPORATION by 2020.

The company has fully amortized assets with historical cost of GEL 20,826 (2018: GEL 20,826). Nevertheless, the company makes use of those fully amortized intangible assets in operational activities.

7 Held to maturity financial assets

	Currency	Amount in HC	Maturity Date	Rate	31-Dec-19	31-Dec-18
Georgian Leasing Company LLC	USD	260,000	29-Aug-19	7.00%	-	712,332
Total before allowance for Held to maturity financial assets					**-**	**712,332**
Allowance for Held to maturity financial assets (see note 14)					-	(7,125)
Net held to maturity financial asset					**-**	**705,207**

Interest income from held to maturity financial asset find in the note 12. There is no significant difference between coupon and effective interest rate of the held to maturity financial asset.

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

8 Share Capital

During 2019, the Company issued 193,211 new shares with a par value of GEL 1 per share and a selling price of GEL 3.623. As a result, the Company's share capital and share premium have increased by GEL 193,211 and GEL 506,792, respectively.

9 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.

	31-Dec-19	31-Dec-18
Net income attributable to common stockholders	(283,036)	(173,652)
Profit/(loss) for the year	(283,036)	(173,652)
Weighted average number of shares	421,800	405,699
Basic	**(0.59)**	**(0.43)**

10 Commission, subscription and other operating income

	2019	2018
Income from custodian service	113,119	28,840
Commission income	28,509	41,660
Custodian and brokerage membership fee	3,916	14,240
Other operating income	14,012	12,000
Total commission, subscription and other operating income	**159,556**	**96,740**

11 Other operating expense

	2019	2018
Insurance expenses	4,794	3,038
Utility expenses	3,665	4,560
Personnel training expenses	3,303	3,214
Bank commissions	2,345	586
Business trip expenses	1,719	4,990
Cleaning and service expenses	1,273	1,166
Software support	-	3,800
Other expenses	3,563	1,600
Total other operating expenses	**20,662**	**22,954**

12 Finance income

	2019	2018
Finance income from held to maturity financial assets	7,136	45,325
Interest received from bank deposits	3,457	8,139
Total finance income	**10,593**	**53,464**

13 Net foreign gain/(loss)

	Cash and cash equivalents	Trade receivables	Long-term liability to purchase intangible assets	Held to maturity financial assets	Total
Foreign exchange gain	19,289	7,731	-	5,666	32,686
Foreign exchange loss	(25,184)	(1)	(33,147)	(3,426)	(61,758)
Net foreign exchange gain/loss for 2019	**(5,895)**	**7,730**	**(33,147)**	**2,240**	**(29,072)**

13 Net foreign gain/(loss) (continued)

	Cash and cash equivalents	Trade receivables	Trade Payable	Held to maturity financial assets	Total
Foreign exchange gain	8,370	-	-	81,328	89,698
Foreign exchange loss	(12,896)	(20)	(9)	(59,384)	(72,309)
Net foreign exchange gain/loss for 2018	**(4,526)**	**(20)**	**(9)**	**21,944**	**17,389**

14 Financial assets impairment reserve (expense) / recovery

	Allowance for held to maturity financial assets	trade receivables	Total
At 1 January 2018	**(6,908)**	**(925)**	**(7,833)**
Write-off for the year	-	925	925
Reserve expense for the year	(217)	(1,705)	(1,922)
At 31 December 2018	**(7,125)**	**(1,705)**	**(8,830)**
Recovery of impaired assets	7,125	-	7,125
At 31 December 2019	**-**	**(1,705)**	**(1,705)**

15 Contingent liabilities

15.1 Taxation contingencies

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

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

16 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 two 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:

	31-Dec-19	31-Dec-18
Financial assets		
Cash and cash equivalents	677,989	61,790
Trade and other receivables	11,967	14,679
Held to maturity financial assets	-	705,207
Total financial assets	**689,956**	**781,676**
Financial liabilities		
Trade payables	3,562	2,390
Long-term liability to purchase intangible assets	192,854	528,684
Total financial liabilities	**196,416**	**531,074**

16.1 Credit risk

No significant concentration of credit risks was observed.

The maximum credit risk of the company is given in the following table:

	31-Dec-19	31-Dec-18
Cash at current bank account	677,989	61,752
Trade receivables	11,967	14,679
Held to maturity financial assets	-	705,207
Total financial assets	**689,956**	**781,638**

As defined in Note 3, cash and cash equivalents consists of cash in bank accounts and bank deposits. company does not have any collateral for its receivables. The company manages receivables according to the days of overdue.

16 Information on financial risks (continued)

16.1 Credit risk (continued)

Expected credit loss measurement

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

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

The following diagram summarises the impairment approach of the Company:

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
Expected credit loss for 12 month	Lifetime expected credit losses	Lifetime expected credit losses

All financial assets in the Company's financial statements, other than trade receivables, are classified in stage 1 as at beginning and end of 2019.

As for trade receivables the Company uses the simplified approach is based on days overdue. The Company has five overdue ranges. Expected credit loss 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 held to maturity financial assets, 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 held to maturity financial assets.

16 Information on financial risks (continued)

16.2 Liquidity risk - Financial liabilities maturity analysis

The Company manages the risk of liquidity based on expected maturity.

Liquidity risk as at December 31, 2019 can be presented as follows:

	Up to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets				
Cash and cash equivalents	677,989	-	-	677,989
Trade receivables	11,967	-	-	11,967
Total financial assets	**689,956**	**-**	**-**	**689,956**
Financial liabilities				
Trade payables	3,562	-	-	3,562
Long-term liability to purchase intangible assets	192,854	-	-	192,854
Total financial liabilities	**196,416**	**-**	**-**	**196,416**
Liquidity gap	**493,540**	**-**	**-**	**493,540**

Liquidity risk as at December 31, 2018 can be presented as follows:

	Up to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets				
Cash and cash equivalents	61,790	-	-	61,790
Trade receivables	14,679	-	-	14,679
Held to maturity financial assets	-	705,207	-	705,207
Total financial assets	**76,469**	**705,207**	**-**	**781,676**
Financial liabilities				
Trade payables	2,390	-	-	2,390
Long-term liability to purchase intangible assets	335,830	192,854	-	528,684
Total financial liabilities	**338,220**	**192,854**	**-**	**531,074**
Liquidity gap	**(261,751)**	**512,353**	**-**	**250,602**

16.3 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. The impact of interest rate changes on the fair value of financial assets with a fixed interest rate was assessed as unimportant.

The interest rate exposure is presented bellow:

	31-Dec-19		**31-Dec-18**	
In % P.A	GEL	USD	GEL	USD
Cash and cash equivalents	5.5-6.5%	-	5.5-9.5%	0.5-0.75%
Held to maturity financial assets	-	7%	-	7%

16.4 Foreign currency risk

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

16 Information on financial risks (continued)

16.4 Foreign currency risk (continued)

As at December 31, 2019 the Company had only the following balances in foreign currencies:

At December 31, 2019	Cash and cash equivalents	Held to maturity financial assets	L.T. liability to purchase intangible assets	Total
USD	597,210	-	(192,854)	**404,356**
Total	**597,210**	**-**	**(192,854)**	**404,356**

As at December 31, 2018 the Company had only the following balances in foreign currencies:

At December 31, 2018	Cash and cash equivalents	Held to maturity financial assets	L.T. liability to purchase intangible assets	Total
USD	3,501	705,207	(528,684)	180,024
Total	**3,501**	**705,207**	**(528,684)**	**180,024**

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the US Dollar would decrease / increase 2019 profits after taxes by GEL 40,436 (2018: 18,002 GEL).

17 Transactions with related parties

The Company's main shareholders are JSC Georgian Stock Exchange and JSC Tbilisi Stock Exchange.

Income	**2019**	**2018**
Income from shareholders	12,000	12,000
Income from other related parties	132,837	122,170
Cash received from issuing of shares	700,003	-

Expenses	**2019**	**2018**
Subsidiaries	169	-
Other related parties	8,197	495

Key management compensation	**2019**	**2018**
Wages, salaries and short-term benefits	233,900	125,835

Balances with related parties	**31-Dec-19**	**31-Dec-18**
Main shareholders	1,000	1,000
Other related parties	10,413	12,802

	31-Dec-19	**31-Dec-18**
Georgian Leasing Company LLC	-	705,207

Cash balances at bank	**31-Dec-19**	**31-Dec-18**
Cash at JSC Bank of Georgia	96,235	352
Cash at JSC TBC Bank	523,477	3,591

18 Events after the reporting period

Significant events, which might be presented in these financial statements from the reporting date to the date of authorisation are connected with economic difficulties, that might arise from the spread of new coronavirus (COVID-19). However, in case of the Company, the management assesses risks associated to a minimum, as its operations are adapted to remote operations and its main customers are such powerful financial institutions whose activities will still be closely connected to the Company's operations, in case of wide spread of COVID-19. Also, additional argument for assessing risks to a minimum is the diversification of clients' portfolios.

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