JSC TBILISI STOCK EXCHANGE

Consolidated Financial Statements

For the year ended December 31, 2020

And

Independent Auditors' report

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

Content

The last page of financial statements: 31

Statement of Management's Responsibility

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

This responsibility includes:

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

Management is also responsible for:

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

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

Giorgi Paresishvili
General director

Nino Kurdiani
Financial director

JSC Tbilisi Stock Exchange

Date: March 31, 2021

Moore Abc, LLC
6 Marjanishvili Street
0102, Tbilisi, Georgia

T +995 32 2 000 123
E info@moore.ge

www.moore-georgia.ge

INDEPENDENT AUDITORS' REPORT
JSC Tbilisi Stock Exchange

Qualified opinion

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

In our opinion, except for the matters described in the "Basis for qualified opinion" section, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and its financial performance and its cash flows for the year then ended and are 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 Subsidiary's equity by Non-controlling interest (NCI). 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 consolidated financial statements as of December 31, 2020 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 "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia; and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' responsibility for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

Mikheil Abaiadze / Certified Auditor / Partner

Audit firm registration number: SARAS-F-320544
Auditor's registration number: SARAS-A-865011

Date: March 31, 2021
Tbilisi, Georgia

Moore Abc LLC
206331691

Consolidated Statement of Financial Position

	Note	31-Dec-20	31-Dec-19
Cash and cash equivalents	4	1,356,333	1,167,501
Current portion of held to maturity financial assets	5	-	406,915
Trade and other receivables	6	41,268	12,705
Tax assets	7	11,725	-
Total current assets		**1,409,326**	**1,587,121**
Property, plant and equipment	8	49,440	21,680
Intangible assets	9	2,158,756	2,065,249
Prepayments	10	942	24,494
Total non-current assets		**2,209,138**	**2,111,423**
Total assets		**3,618,464**	**3,698,544**
Trade and other payables		16,471	3,644
Tax liabilities	7	55,883	90,490
Total current liabilities		**72,354**	**94,134**
Long-term liability	9	230,820	394,869
Total non-current liabilities		**230,820**	**394,869**
Total liabilities		**303,174**	**489,003**
Share capital	11	358,804	358,804
Share premium	11	3,196,229	3,196,229
Retained earnings		(393,261)	(493,845)
Non-controlling interest		153,518	148,353
Total equity		**3,315,290**	**3,209,541**
Total liabilities and equity		**3,618,464**	**3,698,544**

Giorgi Paresishvili
General director

Nino Kurdiani
Financial director

JSC Tbilisi Stock Exchange

Date: March 31, 2021

Consolidated Statement of Comprehensive Income

	Note	2020	2019
Commission and subscription income	12	439,014	142,839
Other operating income	12	16,052	16,717
Total incomes		**455,066**	**159,556**
Employees salary and benefits	13	(368,280)	(373,835)
Rent and utilities		(21,650)	(20,449)
Depreciation and amortization	8; 9	(40,494)	(14,798)
Consultation expense		(8,402)	(8,250)
Other operating expense	14	(84,660)	(31,056)
Finance income	15	24,731	51,717
Net exchange gain / (loss)	16	132,553	39,835
Non-operating income		16,885	-
Financial assets impairment reserve (expense) / recovery		-	10,527
Net profit / (loss) for the year		**105,749**	**(186,754)**
Comprehensive income / (loss) for the year		**105,749**	**(186,754)**
Attributable:			
To parent		**100,584**	**(117,973)**
To non-controlling interest		**5,165**	**(68,781)**
Total		**105,749**	**(186,754)**
Earnings / (loss) per share		**0.29**	**(0.64)**
Earnings / (loss) per share attributable to the parent entity holders		**0.28**	**(0.41)**

Giorgi Paresishvili
General director

Nino Kurdiani
Financial director

JSC Tbilisi Stock Exchange

Date: March 31, 2021

Consolidated Statement of Cash Flows

	Note	2020	2019
Cash received from customers		427,787	160,261
Cash outflow to suppliers and salary payments		(470,948)	(482,372)
Interest received		33,550	59,269
Cash flows from operating activities		**(9,611)**	**(262,842)**
Cash receipts from held to maturity financial assets		429,996	410,780
Net increase in held to maturity financial assets		-	712,476
Acquisition of intangible assets		(393,443)	(857,756)
Cash flows from investing activities		**36,553**	**265,500**
Contribution of non-controlling interest to equity		-	1,000,008
Cash flows from financial activities		**-**	**1,000,008**
Net increase / (decrease) for the year		**26,942**	**1,002,666**
Cash and cash equivalents at the beginning of the year		1,167,501	178,590
Effect of exchange rate changes on cash and cash equivalents		161,890	(13,754)
Cash and cash equivalents at the end of the year	**4**	**1,356,333**	**1,167,501**

Giorgi Paresishvili
General director

Nino Kurdiani
Financial director

JSC Tbilisi Stock Exchange

Date: March 31, 2021

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Retained earnings	Attributable to the Group	Non-controlling interest	Total equity
As of December 31, 2018	**283,897**	**2,271,128**	**(375,872)**	**2,179,153**	**217,134**	**2,396,287**
Net profit / (loss) for the year	-	-	(117,973)	(117,973)	(68,781)	(186,754)
Issue of shares	74,907	925,101	-	1,000,008	-	1,000,008
As of December 31, 2019	**358,804**	**3,196,229**	**(493,845)**	**3,061,188**	**148,353**	**3,209,541**
Net profit / (loss) for the year	-	-	100,584	100,584	5,165	105,749
As of December 31, 2020	**358,804**	**3,196,229**	**(393,261)**	**3,161,772**	**153,518**	**3,315,290**

Giorgi Paresishvili
General director

Nino Kurdiani
Financial director

JSC Tbilisi Stock Exchange

Date: March 31, 2021

1 General information

JSC Tbilisi Stock Exchange (the "Company") was founded on May 08, 2015 according to the legislation of Georgia. The legal address of the Company is: Vaja-Pshavela ave. #71, 8th block, 2nd floor, Tbilisi, 0186. The general director of the Company is Giorgi Paresishvili.

The main activities of the Company and its subsidiary (the "Group", refer to note 2.5) are to: collect proposals to sell and buy securities and other financial instruments; organize the public trade according to the predefined rules and procedures; disseminate information related to transactions and prices; settle the engagements with securities at stock exchange, as well as hold and account securities in non-material form.

The founder and owner of 100% of shares prior to December 2016 was JSC Georgian Stock Exchange (the "Founder"). The Company was founded in order to attract funds for business development through the issue of shares (according to the charter, the Founder is not able to increase its own share capital without the acceptance of 75% of its shareholders). The minority shareholders of the Founder, who hold 38% of its shares, appealed to the court on the decision of founding the Company. In February 2021 the supreme court of Georgia made the final decision in favor of the Company and the Founder. The decision of the supreme court is final and is not subject to appeal (the information regarding litigations is presented in note 18).

As of December 31, 2020 and 2019 the major shareholders of the Company are:

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

2 Summary of significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (“IFRS”), being standards and interpretations issued by the International Accounting Standards Board (“IASB”), in force at 31 December 2020.

The consolidated financial statements include the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity and disclosure notes.

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

2 Summary of significant accounting policies *(Continued)*

2.2 Measurement basis

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between a market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified appraisers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

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

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.3 New and amended standards adopted

From January 1, 2020, some new standards, interpretations and changes to the existing standards came into force. The ones to be mentioned include:

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

These changes did not have a significant impact on the consolidated financial statements of the Group.

2.4 New and amended standards issued, but not yet effective

Prior to the date when Group's consolidated financial statements were approved, certain new standards, interpretations and changes were published to the existing standards, which have not yet entered into force for the current reporting period and which were not early adopted by the Group. The ones to be mentioned include:

2 Summary of significant accounting policies *(Continued)*

2.4 New and amended standards issued, but not yet effective *(Continued)*

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

The Group does not expect that coming into force of these standards will significantly affect the consolidated financial statements.

2.5 Basis of consolidation

A subsidiary is an entity where parent company has more than half of voting rights or has an ability to control operations and financial assets of a subsidiary. In case such circumstances exist the consolidation has to be made. The consolidation of a subsidiary starts from the day when parent company gains control and ends when parent company losses control. All intra-group transactions and balances are fully eliminated.

Acquisition method is used to account for the purchase of subsidiary. Assets and liabilities of an acquiree are recognized based on their fair value at the acquisition date. If the consideration paid is greater than carrying value of identified net assets of the acquiree at the acquisition date, the goodwill is recognized. If the consideration paid is less than varying value of the identified net assets of an acquiree at the acquisition date than the difference is directly recognized in the consolidated statement of comprehensive income.

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

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

2 Summary of significant accounting policies *(Continued)*

2.5 Basis of consolidation *(Continued)*

The Group includes the following subsidiary which is consolidated in these consolidated financial statements:

		2020		2019	
	Address	**Ownership**	**GEL**	**Ownership**	**GEL**
JSC Georgian Central Securities Depository	**74a, Ilia Chavchavadze Avenue**	83.10%	1,803,203	83.10%	1,803,203

JSC Georgian Central Securities Depository (the "Subsidiary") was founded on November 01, 1999 according to the legislation of Georgia. The legal address of the Subsidiary is: Ilia Chavchavadze ave. #74a, Tbilisi. The general director of the Subsidiary is Evgeny Peevski.

The main activities of the Subsidiary are to settle the engagements with securities at stock exchange, as well as hold and account securities in non-material form.

The founder of the JSC Georgian Central Securities Depository is JSC Georgian Stock Exchange (the "Founder").

On December 02, 2019 the Company acquired 193,211 shares of JSC Georgian Central Securities Depository for a price of GEL 700,003. As a result of this investment the Company became the owner of 83.10% shares of JSC Georgian Central Securities Depository.

For the purpose of consolidation, the transaction of December 2019 is actually an intra-group transaction and incomes obtained as a result of such operation have to be eliminated from the consolidated financial statements; only the distribution of ownership had changed between the parent entity and non-controlling interest, as a result of which the interest attributable to a NCI increased.

As for December 31, 2020 and 2019 the major shareholders of JSC Georgian Central Securities Depository were:

	31-Dec-20	**31-Dec-19**
JSC Georgian Stock Exchange	16.70%	16.70%
JSC Tbilisi Stock Exchange	83.10%	83.10%
Other shareholders	0.20%	0.20%
	100.00%	**100.00%**

2 Summary of significant accounting policies *(Continued)*

2.6 Financial instruments

Initial recognition and measurement

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position only when it becomes a party to the contractual provisions of the instrument. On initial recognition, the Group 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 a financial instrument. Transaction costs incurred on acquisition of a financial asset or issue of a financial liability classified at fair value through profit or loss are expensed immediately.

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

Subsequent measurement of financial assets

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

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

All other financial assets are classified and measured at fair value through profit or loss unless the Group makes an irrevocable election at initial recognition for investments in equity instruments to present subsequent profit or loss in the statement of other comprehensive income (which is not held for sale or not recognized as contingent consideration in the business combinations).

Impairment of financial assets

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

If the credit risk has not significantly increased from the date of the initial recognition of a financial asset, the Group calculates an expected credit loss allowance, which represents the expected loss on a financial asset resulting from an unfavourable circumstances. If the credit risk of the financial asset significantly increased or it is undoubtly impaired, then Group calculates expected credit loss allowance which represents an expected loss for the lifetime of the financial asset. In the last case, the expected credit loss allowance is calculated a sum of reductions of cash flows from the financial asset during its lifetime discounted by effective interest rate.

2 Summary of significant accounting policies *(Continued)*

2.6 Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets measured at fair value through other comprehensive income, any changes in the values are accounted in the statement of comprehensive income, in all other cases - in the statement of profit or loss.

In addition, for trade receivables that are not impaired individually, the Group uses collective impairment assessment based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions and etc.

The table below represents the Group's policy to calculate expected allowances for trade receivables:

Overdue days	Less than 30 days	31-60 days	61-90 days	91-180 days	More than 180 days
Percentage for allowance	2%	5%	25%	50%	100%

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

Derecognition of financial assets

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the “substance over form” based derecognition test prescribed by IFRS 9. That test comprises two different types of evaluations which are applied strictly in sequence:

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

Whether the assets are recognised / derecognised in full or recognised to the extent of the Group’s continuing involvement depends on accurate analysis of each fact.

Subsequent measurement of financial liabilities

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

2 Summary of significant accounting policies *(Continued)*

2.6 Financial instruments *(Continued)*

Subsequent measurement of financial liabilities *(Continued)*

Liabilities at fair value through profit or loss (FVTPL) - liabilities are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivatives which are designated for effective hedging) or meet the conditions to be included in this category. All changes in the fair value of liabilities accounted at fair value through profit or loss are included in the statement of profit or loss as they arise.

Other financial liabilities - all liabilities which have not been included in the previous category fall into this one. Such liabilities are carried at amortized cost using the effective interest method.

Typically, trade and other payables and borrowings are classified in this category. Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

Derecognition of financial liabilities

A financial liability is removed from the Group's consolidated statement of financial position only when the liability is settled, 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 comprise bank accounts' balances and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.7 Property 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
Server	10% straight line
Leasehold improvements	20% straight line

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 Summary of significant accounting policies *(Continued)*

2.7 Property and equipment *(Continued)*

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 write-off of an item of property and equipment is calculated as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.8 Intangible assets

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

Recognition

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

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

Amortization

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

Software	15 years
Other intangible assets	3-10 years

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

The amortization of a software acquired from MONTRAN CORPORATION by JSC Georgian Central Securities Depository (clearing-settlement system) began when the development of the software had finished and it was ready to use it.

The trading system software acquired from MONTRAN CORPORATION by JSC Tbilisi Stock Exchange will begin when the development of this software will be finished and it will be available for usage.

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

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset - measured as the difference between the net disposal proceeds and the carrying amount of the asset - are recognised in profit or loss when the asset is derecognised.

2 Summary of significant accounting policies *(Continued)*

2.9 Impairment of non-financial assets

The carrying amounts of property and 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 to its recoverable amount through the statement of profit or loss. Recoverable amount is the higher of value in use and the fair value less costs of disposal. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is a 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 an asset / cash-generating unit. Present values are computed using discount rates that reflect the time value of money and the risks specific to the asset / cash-generating unit the impairment of which is measured.

Intangible assets with indefinite useful life, irrespective of whether there is any indication of impairment, are tested for impairment annually (or more frequently if events or changes in circumstances indicate that they might be impaired).

2.10 Translation of operations in foreign currencies

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

	USD	EUR
Exchange rate as at December 31, 2020	3.2766	4.0233
Average exchange rate for the year ended on December 31, 2020	3.1097	3.5519
Exchange rate as at December 31, 2019	2.8677	3.2095
Average exchange rate for the year ended on December 31, 2020	2.8192	3.1553

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

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

2.11 Profit tax

The Group measures profit tax according to the Georgian tax legislation. According to the legislation in force, only amount that is distributed to the owners is subject to taxation, while reinvested profit is exempted from profit 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 profit tax liability is calculated as 15/85 part from the amount of distributed dividends.

2 Summary of significant accounting policies *(Continued)*

2.12 Provisions and contingencies

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

2.13 Equity

Equity instruments are contracts that give a residual interest in the net assets of the Group. Ordinary shares are classified as share capital. 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 nominal value of the shares issued they are credited to a share premium account.

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

Dividends distribution

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

The Group recognizes paid dividends to subsidiary's non-controlling interest in the consolidated statement of cash flows. In the consolidated statement of financial position and consolidated statement of changes in equity the non-controlling interest is shown at the net value (reduced by paid dividends).

Treasury shares

The cost of treasury shares purchased is shown as a deduction from equity in the consolidated statement of financial position. When treasury shares are sold or reissued they are credited to equity. As a result, no gain or loss on treasury shares is included in the consolidated statement of comprehensive income.

2.14 Recognition of revenues and expenses

Recognition of revenues and expenses performs under accrual basis.

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

2 Summary of significant accounting policies *(Continued)*

2.14 Recognition of revenues and expenses *(Continued)*

For each contract the Group takes the following steps: identifies the contract, identifies the performance obligations, determines the transaction price, which implies the assessment of variable remuneration amount and time value of money, allocates transaction price to performance obligations on a basis of comparative prices and recognizes the revenue attributable to a particular performance obligation only when a this performance obligation is fulfilled in a manner that implies transferring of all promised goods and/or services.

Interest incomes and expenses are recorded for all debt instruments on an accrual basis using the effective interest rate method. This method implies that all fees paid or received between the parties to the contract are included in the calculations of effective interest rate together with transaction costs and all other premiums or discounts and are an integral part of interest incomes and expenses.

Fees integral to the effective interest rate include origination fees received or paid by the entity related 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.

Leases

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

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

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

a) Periods covered by the option to extend the lease if it is sufficiently credible that the lessee will exercise this right; and
b) Periods covered by the option to terminate the lease early if it is sufficiently certain that the lessee will not exercise this right.

2 Summary of significant accounting policies *(Continued)*

2.15 Offsetting

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

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

3 Critical accounting estimates

In order to prepare consolidated financial statements that are in line with IFRS, management is required to use some accounting estimates and judgements, which influence the amounts recognized in the consolidated financial statements. Accounting estimates arise from the past experience and by taking into consideration other factors, for example, management's expectations regarding future events if such expectations seem to be reasonable from the current circumstances. Judgments which affect amount presented in the consolidated financial statements and estimates, which in the next reporting period may cause significant adjustments to the carrying values of assets and liabilities include:

a) Useful lives of property, plant and equipment

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

b) Useful lives of intangible assets

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

c) Provisions and contingent liabilities

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

d) Taxation

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

4 Cash and cash equivalents	**31-Dec-20**	**31-Dec-19**
Cash in bank	302,282	1,025,053
Short-term deposits	1,054,051	142,448
Total cash and cash equivalents	**1,356,333**	**1,167,501**

Deposits comprise of short-term deposit which accrue interest in range 0.25-6.5% based on the interest rate of the respective deposit. Interest income accrued on the deposits is presented in Note 15.

Cash and cash equivalents by currencies are disclosed in Note 19.4 and interest rates by currencies - in Note 19.3.

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

5 Held to maturity financial assets

	Currency	**Initial amount in currency**	**Maturity date**	**Interest**	**31-Dec-20**	**31-Dec-19**
Georgian Leasing Company LLC	USD	400,000	29-Aug-19	7.00%	-	411,025
Total before allowance					**-**	**411,025**
Allowance for impairment					-	(4,110)
Net held to maturity financial assets					**-**	**406,915**

Interest income from held to maturity financial assets is disclosed in Note 14.

6 Trade and other receivables	**31-Dec-20**	**31-Dec-19**
Trade receivable	40,946	13,672
Allowance for doubtful accounts	(1,705)	(1,705)
Prepayments, other assets	2,027	738
Total trade and other receivables	**41,268**	**12,705**

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

7 Tax assets and liabilities

The tax assets and liabilities of the Group arise from reverse charge VAT, property and income taxes.

According to the legislation in force, the subject of taxation for the profit tax is profit distributed to the owners. In years 2019 and 2020 the Group did not have a tax liability arising from the distribution of profit. Also, based on the Estonian model adopted by the parliament of Georgia (reform regarding profit tax), the Group do not accrue deferred profit tax.

8 Property and equipment

	Server	Office equipment	Leasehold improvements	Total
Historical cost				
As of December 31, 2018	**-**	**81,841**	**9,625**	**91,466**
Additions	-	11,127	-	11,127
Disposals	-	(746)	-	(746)
As of December 31, 2019	**-**	**92,222**	**9,625**	**101,847**
Additions	34,721	4,919	-	39,640
As of December 31, 2020	**34,721**	**97,141**	**9,625**	**141,487**
Accumulated depreciation				
As of December 31, 2018	**-**	**(58,824)**	**(7,700)**	**(66,524)**
Depreciation for the year	-	(13,762)	(401)	(14,163)
Accumulated depreciation on disposed assets	-	520	-	520
As of December 31, 2019	**-**	**(72,066)**	**(8,101)**	**(80,167)**
Depreciation for the year	(2,893)	(8,987)	-	(11,880)
As of December 31, 2020	**(2,893)**	**(81,053)**	**(8,101)**	**(92,047)**
Carrying value				
As of December 31, 2018	**-**	**23,017**	**1,925**	**24,942**
As of December 31, 2019	**-**	**20,156**	**1,524**	**21,680**
As of December 31, 2020	**31,828**	**16,088**	**1,524**	**49,440**

At the end of the reporting period the total carrying value of fully depreciated assets is GEL 79,327 (2019: GEL 40,369), which Group still uses in its operating activities.

9 Intangible assets

	Software	Trading system license	Other intangible assets	Total
Historical cost				
As of December 31, 2018	**943,632**	**-**	**27,176**	**970,808**
Additions	101,016	1,014,992	-	1,116,008
As of December 31, 2019	**1,044,648**	**1,014,992**	**27,176**	**2,086,816**
Additions	112,593	-	9,528	122,121
As of December 31, 2020	**1,157,241**	**1,014,992**	**36,704**	**2,208,937**
Accumulated depreciation and accumulated impairment				
As of December 31, 2018	**-**	**-**	**(20,932)**	**(20,932)**
Amortization for the year	-	-	(635)	(635)
As of December 31, 2019	**-**	**-**	**(21,567)**	**(21,567)**
Amortization for the year	(26,352)	-	(2,262)	(28,614)
As of December 31, 2020	**(26,352)**	**-**	**(23,829)**	**(50,181)**
Carrying value				
As of December 31, 2018	**943,632**	**-**	**6,244**	**949,876**
As of December 31, 2019	**1,044,648**	**1,014,992**	**5,609**	**2,065,249**
As of December 31, 2020	**1,130,889**	**1,014,992**	**12,875**	**2,158,756**

At the end of the reporting period the total historical cost of fully amortized intangible assets is GEL 20,826 (2019: GEL 20,826). However, the Group still uses these intangible assets in operating activities.

The intangible assets primarily comprise of trading system and clearing-settlement system acquired from MONTRAN CORPORATION and the service of software implementation.

In November of 2018 MONTRAN CORPORATION transferred to JSC Georgian Central Securities Depository the goods specified in the agreement as a result of which the criteria for classification as an intangible asset were met and intangible asset was recognized. In September, 2020 the last stage of the asset development was finished.

In November of 2019 MONTRAN CORPORATION transferred to JSC Tbilisi Stock Exchange the goods specified in the agreement as a result of which the criteria for classification as an intangible asset were met and trading system software was recognized as an intangible asset. For now, the asset is on the stage of testing. The Group is planning to fully implement the system in 2021.

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

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

10 Prepayments (Continued)

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

	2020	2019
Opening balance - January 01	**24,494**	**423,757**
Payments during the year	4,842	355,391
Reclassification to intangible assets and PPE during the year	(28,394)	(754,654)
Closing balance - December 31	**942**	**24,494**

11 Equity

Share capital consists of 10,000,000 authorised ordinary shares with nominal value of GEL 1 out of which 358,804 shares are outstanding. During the year 2020 the Group have not issued new shares.

The Group's share premium as of December 31, 2020 and 2019 equals to GEL 3,196,229.

During the year no dividends were distributed to the shareholders.

Capital management

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

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

National Bank of Georgia (NBG) sets capital adequacy requirements for stock exchanges and central depositors. In particular, As required by the NBG, minimum amount of capital for stock exchange and central depositor should be GEL 50,000. Management of NBG requirements is integrated into the overall capital management framework and is dynamically controlled by Group's management.

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

The Group satisfies the minimum capital requirements.

		2020	2019
12	**Commission, membership and other operating income**	**2020**	**2019**
	Income from custodian service	402,520	113,119
	Income from commissions	35,221	28,509
	Custodians and brokers membership fees	5,324	3,916
	Other operating income	12,001	14,012
	Total commission, membership and other operating income	**455,066**	**159,556**

		2020	2019
13	**Employees salary and benefits**	**2020**	**2019**
	Salary	361,361	341,473
	Bonus	-	25,380
	Pension expense	6,919	6,982
	Total employees salary and benefits	**368,280**	**373,835**

		2020	2019
14	**Other operating expenses**	**2020**	**2019**
	Software support expense	51,142	-
	Maintenance expense of securities	9,326	4,000
	Insurance expense	5,483	4,794
	Warranty costs	3,900	-
	Utilities, cleaning and maintenance expenses	3,684	5,112
	Bank fees	2,599	3,247
	Computer expenses	2,415	509
	Tax expenses	321	191
	Personnel training expenses	-	3,303
	Business trip expenses	-	1,719
	Other expenses	5,790	8,181
	Total other operating expenses	**84,660**	**31,056**

		2020	2019
15	**Finance income**	**2020**	**2019**
	Interest income from held to maturity financial assets	19,945	47,974
	Interest income from bank deposits	4,786	3,743
	Total finance income	**24,731**	**51,717**

16 Net foreign exchange gain / (loss)

	Cash and cash equivalents	Trade payables and long-term liabilities	Held to maturity financial assets	Total
Foreign currency gain	317,635	78,174	75,497	**471,306**
Foreign currency loss	(155,745)	(135,300)	(47,708)	**(338,753)**
Net foreign exchange gain / (loss) for the year 2020	**161,890**	**(57,126)**	**27,789**	**132,553**

	Cash and cash equivalents	Trade receivables	Long-term liability	Held to maturity financial assets	Total
Foreign currency gain	35,019	8,034	9,415	95,482	**147,950**
Foreign currency loss	(48,773)	(1)	(33,147)	(26,194)	**(108,115)**
Net foreign exchange gain / (loss) for the year 2019	**(13,754)**	**8,033**	**(23,732)**	**69,288**	**39,835**

17 Related parties

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

a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity; or

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

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

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

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

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

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

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

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

17 Related parties *(Continued)*

Incomes:	**2020**	**2019**
Main shareholders	36,091	20,537
Other related parties	385,004	153,138

Expenses:	**2020**	**2019**
Other related parties	11,933	9,129

Key management personnel remuneration	**2020**	**2019**
Salaries and bonuses	232,400	233,900

Receivables:	**31-Dec-20**	**31-Dec-19**
Main shareholders	1,445	1,357
Other related parties	32,621	497,565

Payables:	**31-Dec-20**	**31-Dec-19**
Other related parties	33	1,000

Bank accounts balances	**31-Dec-20**	**31-Dec-19**
JSC Bank of Georgia	1,066,185	577,825
JSC TBC Bank	227,181	530,396

Securities:	**31-Dec-20**	**31-Dec-19**
Securities of Georgian Leasing Company LLC	-	406,916

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

18 Commitments and contingencies

18.1 Taxation contingencies

The taxation system of Georgia is relatively new and characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to various interpretations. 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.

Above-mentioned circumstances may create tax risk in Georgia that are more significant than in other countries. Management believes that it adequately settles 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 consolidated financial statements, if the authorities would be successful in enforcing their interpretations, could be significant.

18 Commitments and contingencies *(Continued)*

18.2 Legal proceedings

At the end of the reporting period the Group had legal proceeding with minority shareholders of JSC Georgian Stock Exchange where minority shareholder were arguing about the legality of establishing JSC Tbilisi Stock Exchange by JSC Georgian Stock Exchange.

In February, 2021 this legal proceeding ended in the supreme court of Georgia in favour of the Group. The decision of the supreme court is final and is not subject to appeal.

19 Information related to financial risks

During its operating, investing and financing activities, the Group is exposed to the following financial risks:

- Credit risk: the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the Group;
- Liquidity risk: the risk that the Group may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.
- Market risk: the risk that fluctuations in market prices will result in changes of financial instrument value or fair value of future cash flows. In general, the Group is exposed to two components of the market risk:
  - Interest rate risk;
  - Foreign exchange rate risk.

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

The following table summarises the carrying amount of financial assets and financial liabilities disclosed by categories:

Financial assets	**31-Dec-20**	**31-Dec-19**
Cash and cash equivalents	1,356,333	1,167,501
Trade and other receivables	41,268	12,705
Held to maturity financial assets	-	406,915
Total financial assets	**1,397,601**	**1,587,121**
Financial liabilities		
Trade and other payables	16,471	3,644
Long-term liability	230,820	394,869
Total financial liabilities	**247,291**	**398,513**

19 Information related to financial risks *(Continued)*

19.1 Credit risk

The Group's maximum exposure to credit risk is presented below:

	31-Dec-20	31-Dec-19
Cash and cash equivalents	1,356,333	1,167,501
Trade and other receivables	41,268	12,705
Held to maturity financial assets	-	406,915
Total financial assets	**1,397,601**	**1,587,121**

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

Expected credit loss measurement

The Group uses a “three-stage” model for impairment based on changes in credit quality of the financial asset since its initial recognition and is summarized bellow:

- A financial instrument that is not credit-impaired on initial recognition is classified in “stage I” and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to “stage II” but is not yet deemed to be credit-impaired;
- If a financial instrument is credit-impaired, it is moved to “stage III”.
- Financial instrument on stage I 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 II and III have their expected credit loss measured based on expected credit losses on a lifetime basis.

The following diagram summarises the impairment approach of the Group:

Stage I	Stage II	Stage III
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired asset)
Expected credit loss for the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses

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

As for trade receivables the Group uses the simplified approach that is based on overdue days. The Group has 5 overdue ranges. Expected credit loss percentage is based on Group`s operating sector and previous experience. Table below represents overdue ranges and respective expected credit loss percentage:

19 Information related to financial risks *(Continued)*

19.1 Credit risk *(Continued)*

Expected credit loss measurement *(Continued)*

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

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

Loss allowances is measured on either of the following bases: a) 12 month expected credit loss - ff the credit risk of a financial instrument has not increased significantly since initial recognition; b) lifetime expected credit loss - if the credit risk of a financial instrument has increased significantly since initial recognition.

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

19.2 Liquidity risk - maturity analyse of financial liabilities

The Group manages liquidity risk according to the expected maturity.

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

	less than 1 year	1-5 years	More than 5 years	Total
Financial assets				
Cash and cash equivalents	1,356,333	-	-	**1,356,333**
Trade and other receivables	41,268	-	-	**41,268**
Total financial assets	**1,397,601**	**-**	**-**	**1,397,601**
Financial liabilities				
Trade and other payables	16,471	-	-	**16,471**
Long-term liability	-	230,820	-	**230,820**
Total financial liabilities	**16,471**	**230,820**	**-**	**247,291**
Liquidity gap	**1,381,130**	**(230,820)**	**-**	**1,150,310**
Net liquidity gap	**1,381,130**	**1,150,310**	**1,150,310**	

19 Information related to financial risks *(Continued)*

19.2 Liquidity risk - maturity analyse of financial liabilities *(Continued)*

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

	less than 1 year	1-5 years	More than 5 years	Total
Financial assets				
Cash and cash equivalents	1,167,501	-	-	**1,167,501**
Trade and other receivables	12,705	-	-	**12,705**
Held to maturity financial assets	406,915	-	-	**406,915**
Total financial assets	**1,587,121**	**-**	**-**	**1,587,121**
Financial liabilities				
Trade and other payables	3,644	-	-	**3,644**
Long-term liability	-	394,869		
Total financial liabilities	**3,644**	**394,869**	**-**	**3,644**
Liquidity gap	**1,583,477**	**(394,869)**	**-**	**1,583,477**
Net liquidity gap	**1,583,477**	**1,188,608**	**1,188,608**	

19.3 Interest rate risk

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

Information related to interest rate risk is presented below:

	31-Dec-20		31-Dec-19	
Annual %	**GEL**	**USD**	**GEL**	**USD**
Cash and cash equivalents	5.50-6.50%	0.50%	5.50-6.50%	0.25%
Held to maturity financial assets	-	-	-	5.00-7.50%

19.4 Foreign exchange rate risk

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

At the end of the reporting period the Group had only the following balances in foreign currencies (denominated in GEL):

As on December 31, 2020:

	Cash and cash equivalents	Long-term liability	Total
USD	1,251,723	(230,820)	**1,020,903**
EUR	5,303	-	**5,303**
Total	**1,257,026**	**(230,820)**	**1,026,206**

19 Information related to financial risks *(Continued)*

19.4 Foreign exchange rate risk *(Continued)*

As on December 31, 2019:

	Cash and cash equivalents	Held to maturity financial assets	Long-term liability	Total
USD	1,078,695	406,915	(394,869)	**1,090,741**
EUR	4,231	-	-	**4,231**
Total	**1,082,926**	**406,915**	**(394,869)**	**1,094,972**

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the US Dollar would decrease / increase profits after tax by GEL 102,090 (2019: by GEL 109,074).

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the EUR would decrease / increase profits after tax by GEL 530 (2019: by GEL 423).

20 Going concern consideration

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

21 Events after the reporting period

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

As the result of ending of legal proceeding against the Group after balance sheet date, some restrictions placed on usage of particular assets of the group because of the litigation were fully removed.

After the reporting date, according to the amendments to the Tax Code, JSC Georgian Central Securities Depository mandatorily became payer of VAT. However, this event is not expected to have a significant impact on the Group's operations, as the Group's VAT-taxable turnover is insignificant.

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

*****