

JSC "Galt & Taggart"

Financial Statements and
Independent Auditor's Report

For the Year Ended December 31, 2018

JSC "GALT & TAGGART"
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Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the year ended December 31, 2018

Management is responsible for the preparation of the separate financial statements that present fairly the separate financial position of Joint Stock Company Galt and Taggart (the "Company") as at December 31, 2018, the separate results of its operations, separate cash flows and separate changes in equity for the year then ended, together with the explanatory notes ("Financial Statements"), in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- Assessing the Company's ability to continue as a going concern.

Management is also responsible for:

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

The Board of Directors of the Company authorized the separate financial statements for the year ended December 31, 2018 for issue on March 29, 2019.

General Director Irakli Kirtava _____

Managing Director Otari Sharikadze _____

Chief Accountant Ketevan Vanishvili _____

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of JSC Galt and Taggart:

Opinion

We have audited the separate financial statements of JSC Galt and Taggart (the "Company"), which comprise the separate statement of financial position as at December 31, 2018, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies (the Financial Statements").

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2018, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and 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.

Other Matters

The financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on March 22, 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report but does not include the separate financial statements and our auditor's report thereon. Management Report is expected to be available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements and the respective regulatory normative acts or otherwise appears to be materially misstated based on our knowledge obtained during the audit.

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

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

In preparing separate 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 planning and performance of the audit. We also:

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Gela Mghebrishvili.

Gela Mghebrishvili

on behalf of Nexia TA LLC

29 March, 2019

Tbilisi, Georgia

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JSC GALT AND TAGGART
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 31 DECEMBER, 2018
(GEORGIAN LARI)

FINANCIAL STATEMENTS

	Issued capital	Additional paid-in capital	Retained earnings (accumulated loss)	Total equity
At 31 December 2016	10,764,236	24,959,537	(20,569,369)	15,154,404
Profit for the year	-	-	1,020,085	1,020,085
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,020,085	1,020,085
Dividends to Shareholders	-	-	-	-
At 31 December 2017	10,764,236	24,959,537	(19,549,284)	16,174,489
At 1 January 2018 before transition to IFRS 9	10,764,236	24,959,537	(19,549,284)	16,174,489
Effect of IFRS 9	-	-	554,139	554,139
At 1 January 2018 (restated)	10,764,236	24,959,537	(18,995,145)	16,728,628
Profit for the year	-	-	1,976,585	1,976,585
Other comprehensive loss for the year	-	-	(1,601,611)	(1,601,611)
Total comprehensive income for the year	-	-	374,974	374,974
Dividends to shareholders	-	-	(25,000)	(25,000)
At 31 December 2018	10,764,236	24,959,537	(18,645,171)	17,078,602

General Director
Irakli Kirtava

Managing Director
Otari Sharikadze

Chief Accountant
Ketevan Vanishvili

JSC GALT AND TAGGART
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR 31 DECEMBER, 2018
(GEORGIAN LARI)

FINANCIAL STATEMENTS

	2018	2017
<i>Cash flow from operating activities</i>		
Profit before tax for the year:	1,976,585	1,020,085
Depreciation and amortization	105,370	151,227
Net gain from fair value adjustment on investment property	-	(412,469)
Impairment of loan issued	460,348	-
Unrealized (gain) / loss from financial assets at fair value through profit or loss	-	221,420
Net foreign exchange gain	(356,265)	(9,615)
Write-off of property and equipment	3,743	818
Interest income	(2,502,788)	(1,890,072)
Interest expense	68,183	274,249
<i>Cash outflow from operating activities before changes in operating assets and liabilities</i>	<i>(244,824)</i>	<i>(644,357)</i>
Increase/(decrease) in financial assets at fair value through profit or loss	2,036,961	1,959,587
Increase/(decrease) in prepayments	(226,970)	(203,404)
Increase/(decrease) in accounts receivable	491,514	(1,305,824)
Increase/(decrease) in accounts payable	(12,706,958)	14,635,072
<i>Cash outflow/(inflow) from operating activities before interest and taxation</i>	<i>(10,650,277)</i>	<i>14,441,074</i>
Interest paid	(69,934)	(184,472)
Income taxes paid	-	(155,514)
<i>Net cash (outflow)/inflow from operating activities</i>	<i>(10,720,211)</i>	<i>14,101,088</i>
<i>Cash flow from investing activities</i>		
Investment in financial Assets at fair value through other comprehensive income	(489,760)	(35,113)
Sale of Financial assets at fair value through profit or loss	126,475	-
Sale of property and equipment	-	14,769
Purchase of property and equipment	(84,553)	(140,095)
Purchase of intangible assets	(287,683)	(20,198)
Loans issued	226,256	(225,000)
Interest received	387,173	451,951
<i>Net cash (outflow)/inflow from investing activities</i>	<i>(122,092)</i>	<i>46,314</i>
<i>Cash flow from financing activities</i>		
Proceeds from bank loans	-	1,564,571
Repayment from bank loans	(2,348,819)	(1,659,631)
Dividends paid	(25,000)	-
<i>Net cash outflow from financing activities</i>	<i>(2,373,819)</i>	<i>(95,060)</i>
Net (decrease)/increase in cash and cash equivalents	(13,216,122)	14,052,342
Cash and cash equivalents at 1 January	28,940,478	15,243,905
Effect of changes in foreign exchange rate on cash and cash equivalents	(309,489)	(355,769)
Cash and cash equivalents at 31 December	15,414,867	28,940,478

General Director
Irakli Kirtava

Managing Director
Otari Sharikadze

Chief Accountant
Ketevan Vanishvili

1. PRINCIPAL ACTIVITIES

JSC Galt and Taggart (the “Company”) was established on 19 December 1995 as a joint stock company (“JSC”) under the laws of Georgia. The Company operates under a brokerage license issued by the National Bank of Georgia (“NBG”; the Central Bank of Georgia) on 10 September 2014. During the years 2000 – 2009 the Company operated as “Galt and Taggart Securities”, during 2009 – 2014 operated as “BG Capital”. And since 26 August 2014, the Company operates under the name - JSC “Galt and Taggart”.

The Company provides brokerage, investing banking, consulting and assets management services. Moreover, the Company provides the service of financial agent in debt and equity instrument’s private and public placement, consulting in corporate restructuring process, merger & acquisition transactions, etc. Company is pioneer of investment research in Georgian market and continues to develop local capital markets bringing corporate advisory, debt and equity capital markets research and brokerage services under one brand.

The Company’s registered legal address is 79 Agmashenebeli ave, Tbilisi, 0102, Georgia.

In 2013, the Company founded the branch in Azerbaijan, which does not operate since 28 October 2015.

Starting from 2005, the Company was fully owned subsidiary of JSC Bank of Georgia, until November 2015, when the Company became fully owned subsidiary of JSC BG Financial under the laws of Georgia.

On 29 May 2018 ultimate shareholder of the Company: BGEO Group plc demerged into a London-listed banking business: Bank of Georgia Group PLC, and a London-listed investment business: Georgia Capital PLC. As a result of the demerger, Bank of Georgia Group plc became the ultimate parent of the Company. Bank of Georgia Group plc is incorporated in the United Kingdom and listed on the London Stock Exchange.

2. BASIS OF PREPARATION

GENERAL

These separate financial statements (the “Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the International Financial Reporting Interpretations Committee (“IFRIC”) interpretations issued by the International Accounting Standards Board (“IASB”) effective by 31 December 2018.

These financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and investment securities, derivative financial assets and liabilities, investment properties, and revalued property and equipment.

The financial statements are presented in Georgian Lari (“GEL” or “Lari”).

GOING CONCERN

The Board of Directors of the Company has assessed the Company’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of approval of the financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

2. BASIS OF PREPARATION (continued)

BASIS OF SEPARATE FINANCIAL STATEMENTS

The Company need not present consolidated financial statements as it meets all of the following conditions under IFRS 10:

- Company is a wholly-owned subsidiary of another entity;
- Company's equity instruments are not traded in a public market;
- Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market, and
- Company's ultimate parent of the parent produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated.

SUBSIDIARIES AND ASSOCIATES

The separate financial statements as at 31 December 2018 and 31 December 2017 include the following subsidiaries and associates:

Subsidiaries	Proportion of voting rights and ordinary share capital held		Country of incorporation	Date of Registration
	31 December 2018	31 December 2017		
Galt and Taggart Holding Limited	100%	100%	Nicosia, Cyprus	3 July 2006
Associates	Proportion of voting rights and ordinary share capital held		Country of incorporation	Date of Registration
	31 December 2018	31 December 2017		
Georgian Stock Exchange	15,33%	15,33%	Tbilisi, Georgia	12 January 1999
Tbilisi Stock Exchange	21.59%	21.59%	Tbilisi, Georgia	7 May 2015

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES

Associates are entities in which the Company generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted under the equity method and are initially recognised at cost, including goodwill. As the Company does not prepare consolidated financial statements investments in associates are not accounted under equity method.

FUNCTIONAL CURRENCY

Items included in the Company's separate financial statements are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The Company's functional currency is the Georgian Lari ("GEL"). The presentational currency of the Company's financial statements is the Georgian Lari.

FAIR VALUE MEASUREMENT

The Company measures financial instruments, such as trading and investment securities, derivatives and non-financial assets such as investment properties, at fair value at each balance sheet date.

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) FAIR VALUE MEASUREMENT (CONTINUED)

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

FINANCIAL ASSETS AND LIABILITIES

IFRS 9 replaces IAS 39 for annual periods commencing on or after 1 January 2018. The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed below.

Changes to classification and measurement

IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories are replaced by:

- fair value through profit or loss (FVPL);
- fair value through other comprehensive income (FVOCI) with recycling to profit or loss upon disposal for debt instruments;
- fair value through other comprehensive income (FVOCI) without recycling to profit or loss for equity instruments; and
- amortised cost.

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Changes to classification and measurement (continued)

The accounting treatment for financial liabilities is largely the same as the requirements of IAS 39.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms as explained below. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

CLASSIFICATION AND MEASUREMENT IMPLEMENTATION

From 1 January 2018, the Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms.

MEASUREMENT OF FINANCIAL INSTRUMENTS AT INITIAL RECOGNITION

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Company determines that the fair value at initial recognition differs from the transaction price, then:

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Company recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss; and
- in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Company recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognised.

SUBSEQUENT MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments measured at amortised cost

From 1 January 2018 the Company measures due from credit institutions, loans to customers and other financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

Business Model

There are three business models available under IFRS 9:

- Held to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the counterparty.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

The assessment of business model requires judgement based on facts and circumstances at the date of the assessment.

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
CLASSIFICATION AND MEASUREMENT IMPLEMENTATION (CONTINUED)
SUBSEQUENT MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Solely Payments of Principal and Interest (SPPI)

If a financial asset is held in either a Hold to Collect or a Hold to Collect and Sell business model, then assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition is required to determine the classification. The SPPI test is performed on an individual instrument basis.

Contractual cash flows that represent solely payments of principal and interest on the principal amount outstanding are consistent with basic lending arrangements. Interest is consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are SPPI, the Company considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument which could affect whether the instrument is considered to meet the SPPI test.

If the SPPI test is failed, such financial assets are measured at FVTPL.

Debt instruments at FVOCI

From 1 January 2018 the Company measures debt investment securities at FVOCI when both of the following categories are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows, selling financial assets and holding such financial instruments for liquidity management purposes; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments comprise assets that had previously been classified as investment securities available-for-sale under IAS 39.

FVOCI debt investment securities are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Upon initial recognition, the Company elects to classify irrevocably its equity instruments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss. Equity instruments at FVOCI are not subject to impairment assessment.

Financial assets at FVTPL

Groups of financial assets for which the business model is other than held to collect and held to collect and sell are measured at FVTPL from the date of initial application of IFRS 9.

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the Company's cash on bank accounts and client's cash and cash equivalents.

BORROWINGS

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions and amounts due to customers. These are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the separate comprehensive income statement when the borrowings are derecognised as well as through the amortisation process.

IMPAIRMENT OF FINANCIAL ASSETS

Changes to the impairment estimation

The adoption of IFRS 9 has changed the Company's accounting for loan loss impairment by replacing IAS 39's incurred loss approach with the forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record ECL on all of its debt financial assets at amortised cost or FVOCI. The allowance is based on the ECL associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset.

IFRS 9 introduces a three-stage approach to impairment for Financial Instruments that are performing at the date of origination or purchase. This approach is summarised as follows:

- Stage 1: The Company recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition. For those financial assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity.
- Stage 2: The Company recognises a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those Financial Instruments which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the Financial Instrument. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1. Financial Instruments in stage 2 are not yet deemed to be credit-impaired.
- Stage 3: If the Financial Instrument is credit-impaired, it is then moved to Stage 3. The Company recognises a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default (PD) of 100% for those Financial Instruments that are credit-impaired.

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Changes to the impairment estimation (continued)

Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

Purchased or originated credit-impaired (POCI) assets are Financial Instruments that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR (CAEIR). CAEIR takes into account all contractual terms of the financial asset and expected credit losses. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses where ECLs are calculated based on lifetime expected credit loss. Once the Financial Asset is recognised as POCI, it retains this status until derecognised.

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

TAXATION

Income Tax is determined in compliance with the tax legislation of Georgia. According to current tax legislation, only owners' distributed profit is subjected to taxation and reinvested profit isn't charged with income tax (Excluding exceptions provided for in Article 981, Article 309, Article 99 and Article 103 of the Tax Code of Georgia). Tax income liability is calculated as 15/85 from distributed dividend amount.

Due to the specificity of the charging tax system, companies registered in Georgia do not have temporary differences anymore of Assets / liabilities in tax terms and between their carrying values, thus the deferred income tax asset and liabilities are no longer generated.

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

Investment property is land or building or a part of a building held to earn rental income or for capital appreciation and which is not used by the Company.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Company's investment property is determined on the basis of various sources including reports of independent appraisers, who hold a recognised and relevant professional qualifications and who have recent experience in valuation of property of similar location and category.

Gains and losses resulting from changes in the fair value of investment property as well as earned rental income are recorded in the income statement within net other income.

If an investment property becomes owner-occupied, it is reclassified to property and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated. If an investment property satisfies asset held for sale criteria, it is reclassified to the assets held for sale category.

PROPERTY AND EQUIPMENT

Property and equipment, is carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Group of Property and Equipment	Useful life (Year)
Furniture and Fixtures	5
Computers and equipment	5

The assets' residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Assets under construction are stated at cost and are not depreciated until the time they are available for use and reclassified to their respective group of property and equipment.

Leasehold improvements are depreciated over the life of the related leased asset or the expected lease term if lower.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalisation.

INTANGIBLE ASSETS

The Company's intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The economic lives of intangible assets are assessed to be finite and amortised over 5-10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at each financial year-end.

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (CONTINUED)

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Company can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete the asset and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred.

SHARE-BASED PAYMENT TRANSACTIONS

Employees (including senior executives) of the Company receive share-based remuneration, whereby they render services and receive equity instruments as consideration for the services provided.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognised together with the corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for the awards that do not ultimately vest except for the awards where vesting is conditional upon market conditions which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the sharebased payment arrangement, or is otherwise beneficial to the employee as measured at the date of the modification.

Where a new equity-settled award is designated as a replacement of a cancelled equity-settled award, the replacement of equity instruments are accounted for as a modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as the replacement award on the date that it is granted, the cancelled and the new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUITY

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue. All expenses associated with dividend distribution are added to dividend amount and recorded directly through equity.

CONTINGENCIES

Contingent liabilities are not recognised in the separate statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the separate statement of financial position but disclosed when an inflow of economic benefits is probable.

INCOME AND EXPENSE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and expense are recognised:

Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income is recognised when the Company satisfies a performance obligation. Fee income can be divided into the following categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission incomes and asset management, custody, and other management and advisory fees.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities – are recognised upon satisfaction of the performance obligations on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognised after fulfilling the corresponding criteria.

Dividend income

Dividend revenue is recognised when the Company's right to receive the payment is established.

3. SUMMARY OF SELECTED SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) INCOME AND EXPENSE RECOGNITION (CONTINUED)

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

FUNCTIONAL, REPORTING CURRENCIES AND FOREIGN CURRENCY TRANSLATION

The separate financial statements are presented in Georgian Lari, which is the Company's presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in the income statement.

Differences between the contractual exchange rate of a certain transaction and the NBG exchange rate on the date of the transaction are included in gains less losses from foreign currencies. The official NBG exchange rates at 31 December 2018 and 31 December 2017 were:

	31 December 2018	31 December 2017
1 USD/GEL	2.6766	2.5922
1 EUR/GEL	3.0701	3.1044
1 CHF/GEL	2.7268	2.6584
1 CAD/GEL	1.9674	2.0683
1 GBP/GEL	3.3955	3.5005

Average exchange rate:

	2018	2017
Average USD/GEL	2.535	2.509
Average EUR/GEL	2.991	2.832
Average CHF/GEL	2.591	2.547
Average CAD/GEL	1.956	1.934
Average GBP/GEL	3.381	3.232

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Company are translated into Georgian Lari at the rate of exchange ruling at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Company, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the comprehensive income statement.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND VOLUNTARY CHANGES IN ACCOUNTING POLICIES

The nature and the effect of these changes are disclosed below

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for the periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and is applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases continue to fall outside the scope of IFRS 15 and are regulated by the other applicable standards. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. IFRS 15 can be adopted using either a full retrospective or a modified retrospective approach.

IFRS 9 FINANCIAL INSTRUMENTS

Introduction

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 for annual periods on or after 1 January 2018, with early application permitted. The Company adopted new standard from the effective date.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: Fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) with recycling to profit or loss upon disposal for debt instruments, fair value through other comprehensive income (FVOCI) without recycling to profit or loss for equity instruments and amortised cost. IFRS 9 will allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

IFRS 9 transition

The transition of measurement of loans issued from amortized cost to fair value is the effect of IFRS 9 on comprehensive income statement.

Futhermore, transition to IFRS 9 changed the classification of available-for-sale and held-to-maturity financial assets to financial assets at FVPL and FVOCI.

As a result of IFRS 9 transition the company has the following classification for financial assetsas of 1st January 2018:

Classification according to IAS 39	Classification according to IFRS 9
Accounts Receivable	Accounts Receivable
Loans issued	Loans issued
Trading Securities	Financial Assets at Fair Value through profit or loss
Held-to-maturity financial assets	Financial Assets at Fair Value through other comprehensive income
Available-for-sale financial assets	Financial Assets at Fair Value through profit or loss

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND VOLUNTARY CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

The IASB issued amendments to IFRS 2 Share-based Payments that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The amendment has no effect on the Company's financial position and performance.

TRANSFER OF INVESTMENT PROPERTY – AMENDMENTS TO IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. The amendment has no effect on the Company's financial position and performance.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16 LEASES

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The company finished the assessment of potential effect of IFRS 16 on its separate financial statements. According to data for 1 January 2019, after transition to a new standard the Company expects that its assets and liabilities will increase by 272,403 lari.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND VOLUNTARY CHANGES
IN ACCOUNTING POLICIES (CONTINUED)
STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IAS 12 INCOME TAXES

The amendment to IAS 12 clarifies that the income tax consequences (if any) of dividends as defined in IFRS 9 (i.e. distributions of profits to holders of equity instruments in proportion to their holdings) must be recognised:

- at the same time as the liability to pay those dividends is recognised; and
- in profit or loss, other comprehensive income, or the statement of changes in equity according to where the entity originally recognised the past transactions or events that generated the distributable profits from which the dividends are being paid.

The amendment to IAS 12 is effective for periods beginning on or after 1 January 2019, although earlier application is permitted. Entity must apply the amendment to income tax consequences of dividends recognised on or after the beginning of the earliest comparative period presented. The Company is currently assessing the impact.

5. RECLASSIFICATION DISCLOSURE

The company restated the classification of accounts receivable and long-term debt. Restatement comprise reclassification of accounts receivable to prepayments and current portion of long-term debt to short-term borrowings and has no effect on financial result of the year. Management believes that current year presentation provides a better view of The Statement of Financial Position. Reclassification did not have any effect on the statement of financial position for the year ended December 31, 2017

	For the year ended 31 December 2017		
	As Previously reported	Reclassification amount	As reclassified
Accounts Receivable	2,393,377	(513,157)	1,880,220
Prepayments	-	513,157	513,157
Short-term borrowings	1,299,218	1,059,193	2,358,411
Long-Term Debt	1,733,811	(1,059,193)	674,618
Total	5,426,406	-	5,426,406

6. PROPERTY AND EQUIPMENT

As of December 31, 2018 the Company's fixed assets were not pledged by a mortgage.

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
At 31 December 2017	216,128	197,261	146,287	559,676
Additions	25,621	2,200	56,732	84,553
Write off	(7,290)	-	-	(7,290)
At 31 December 2018	234,459	199,461	203,019	636,939
Accumulated depreciation				
At 31 December 2017	89,832	79,039	82,298	251,169
Depreciation	28,782	33,769	37,453	100,004
Disposals	(3,547)	-	-	(3,547)
At 31 December 2018	115,067	112,808	119,751	347,626
Net carrying amount				
At 31 December 2017	126,296	118,222	63,989	308,507
At 31 December 2018	119,392	86,653	83,268	289,313

7. INVESTMENT PROPERTY

	2018	2017
At 1 January	1,362,000	949,531
Net gain from fair value adjustment on investment property	-	412,469
At 31 December	1,362,000	1,362,000

The address of investment property is - №7 Chavchavadze Ave., Tbilisi, Georgia. The investment property is measured at fair value. The property is revalued if there is evidence that from the last valuation there was a significant change in market price.

There was a significant change in market price in 2017 as a result the fair value of property increased as of December 31, 2017. Independent certified appraiser LTD "Georgian Valuation Company" (certificate №A-0189) assessed the fair value of the property by market method that is level 3 valuation level.

According to the management's and external (Colliers Internatinal) office space price research in Tbilisi, Georgia there was no significant change in market price during 2018, therefore the Company's investment property was not revalued.

8. INTANGIBLE ASSETS

	Licenses and patents	Software systems	Total
At 31 December 2017	239,377	47,657	287,034
Additions	12,334	265,715	278,049
Disposals	-	-	-
Write off	(135)	-	(135)
Transfer	14,195	(14,195)	-
At 31 December 2018	265,771	299,177	564,948
Accumulated depreciation			
At 31 December 2017	114,109	25,287	139,396
Amortization	(20,568)	16,166	(4,402)
Disposals	-	-	-
At 31 December 2018	93,541	41,453	134,994
Net carrying amount			
At 31 December 2017	125,268	22,370	147,638
At 31 December 2018	172,230	257,724	429,954

In 2018, the Company was implementing a new accounting program Microsoft Dynamics AX. The Company is testing the new software and is planning to switch to a new accounting system fully.

9. INVESTMEN IN A NON-CONSOLIDATED SUBSIDIARY

LTD "Galt and Taggart Holding" was registered on 3 July 2006. The address of the company is - Makariou III 58, IRIS TOWER, 7-th floor, Flat/Office 702 P.C. 1075, Nicosia, Cyprus. The investment in LTD "Galt and Taggart Holding" does not represent the operating activity of the Company and has no effect on the activities of the current activities in the Company. Futhermore, this investment is related to the strategic business operations of the parent company that invested in "Galt and Taggart Holding" ltd through the Company. Below is the non-consolidated non-audited financial information of the company:

31 December 2018	
Total Assets	1,022,461
Total Liabilities and Capital	1,022,461
Profit or Loss for the year ended 31 December 2018	
Loss for the period	(2,204,526)

As of 31 December 2018, the impairment test conducted by the management of the Company revealed investment impairment indicator. The movement in the net value of investment (through OCI) is shown below.

9. INVESTMEN IN A NON-CONSOLIDATED SUBSIDIARY (CONTINUED)

As a result, impairment has been recorded at an amount of GEL 1,601,611.

	December 31, 2018	December 31, 2017
Balance before impairment		
Galt&Taggart Holding	2,623,611	2,623,611
Total Investments in non-consolidated subsidiaries	2,623,611	2,623,611
Impairment		
Net loss from impairment of investment property	(1,601,611)	-
31 December	1,022,000	2,623,611

10. INVESTMENT IN ASSOCIATES

	December 31, 2018	December 31, 2017
Georgian Stock Exchange (15.33% shares)	110,250	110,250
Tbilisi Stock Exchange (21.59% shares)	818,342	818,342
Total Investments in associates	928,592	928,592

As of 31 December 2018 the impairment test investment in associates did not reveal the impairment indicators. The Company does not recognise investment in associates by equity method as entities are consolidated in the financial statements of the parent company. Below is the audited financial information of the company:

JSC „Georgian Stock Exchange “:

31 December 2018	
Total Assets	678,726
Total Liabilities and Capital	678,726
Profit or Loss for the 2018	
Loss for the period	(168,664)

JSC „Tbilisi Stock Exchange “:

31 December 2018	
Total Assets	2,124,727
Total Liabilities and Capital	2,124,727
Profit or Loss for the 2018	
Loss for the period	(302,481)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018	2017
Balance at 1-January	-	-
Additions	535,320	-
Total Financial Assets at Fair Value through other comprehensive income	535,320	-

The Company owns 4 preferred stock and earns income in the form of dividends.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2018	December 31, 2017
Current Financial Assets at Fair Value through profit or loss	112,479	378,817
Debt Instruments	4,364,319	5,456,395
Total Current Financial Assets at Fair Value through profit or loss	4,476,798	5,835,213
Non-Current Financial Assets at Fair Value through profit or loss:		
Interest-bearing debt instruments	-	126,475
Total Financial Assets at Fair Value through profit or loss	4,476,798	5,961,688

The balance of debt instruments include accrued coupon receivable.

13. LOANS ISSUED

	December 31, 2018	December 31, 2017
Short-term loan	8,472,468	225,000
Long-term loan	-	6,655,552
Total Loans issued	8,472,468	6,880,552

At December 28, 2017 the Company signed GEL 225,000 short term loan agreement with individual. The maturity date of the loan has been determined as January 5, 2018, with annual interest rate of 20%.

In 2014 the Company signed USD 1,300,000 worth loan agreement (subordinated loan) with Georgian chain of retail stores (borrower). The loan was issued for 5 years period with annual interest of 20% that is compounded on principal. According to the agreement, the loan is subordinated to the demands of the other creditors, who have higher priority of loan payment.

After transition to IFRS 9, the balance of the loan was measured at fair value through profit or loss. For the comparative period the carrying value of the loan was recognized at amortized cost. At the moment of transition to the new standard, the difference between amortised cost and fair value was shown in the retained earnings/accumulated loss. As of December 31 2018, the fair value of the loan was GEL 8,472,468 (2017: GEL 6,655,552). Therefore, the revaluation effect – loss of GEL 460,348 was shown in the statement of comprehensive income. The loss is caused by the change of the accounting category as a result of the transition to the new standard and is not related to the solvency of the borrower.

The loan was fully repaid during 2019 as it is disclosed in the note 31.

14. PREPAYMENTS

	December 31, 2018	December 31, 2017
Prepaid salaries	11,559	6,683
Prepaid Share Bonus	642,793	501,731
Prepaid Taxes	2,136	1,583
Other prepayments	83,640	3,160
Total Prepayments	740,128	513,157

Other prepayments include BOGG stocks transferred to employees, which is refundable in case of leaving the job. Issued share bonuses are recognised as obligation toward the employees and accounted for as prepaid bonuses, prepaid bonuses are recognised as expenses proportionally to the specified period.

15. ACCOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
Due from clients	152,339	250,912
Due from counterparties	340,759	1,575,179
Other receivable	81,298	54,129
Total Accounts Receivable	574,396	1,880,220

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

16. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Georgian Lari (GEL)	105,037	3,010,403
US Dollar (USD)	362,188	942,119
EURO (EUR)	12,170	15,341
Great Britain Pound Sterling (GBP)	48,204	18,985
Swiss Franc (CHF)	1,320	5,743
Other Currency	1,068	1,025
Total cash and cash equivalents	529,987	3,993,616

17. CLIENT'S CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Georgian Lari (GEL)	5,823,143	2,658,513
US Dollar (USD)	3,655,275	12,228,970
EURO (EUR)	2,520,454	4,380,756
Great Britain Pound Sterling (GBP)	2,686,448	5,037,076
Swiss Franc (CHF)	196,328	489,042
Other Currency	3,232	152,505
Total client's cash and cash equivalents	14,884,880	24,946,862

Client's cash and cash equivalents consists of client's cash 14,884,880 lari (2017: 24,946,862 lari) that are on nominal bank accounts and are used to perform trading operations on behalf of client's instructions. These funds are recognised as amounts due to clients.

18. ISSUED CAPITAL

	December 31, 2018	December 31, 2017
Authorised Capital:		
20,000,000 ordinary shares of GEL 1	-	-
Number of shares issued and fully paid:		
10,764,236 ordinary shares of GEL 1	10,764,236	10,764,236
Number of shares outstanding	9,235,764	9,235,764

The nominal value of the shares of the company is - 1 lari. Accordingly, the issued number of the Company's share is - 10,764,236 shares (2017: 10,764,236 shares) and outstanding shares as of 31 December 2018 - 9,235,764 shares (2017: 9,235,764 shares).

19. DEFERRED INCOME

	December 31, 2018	December 31, 2017
Contract Price	2,110,524	3,095,800
Earned Revenue	(1,827,559)	(985,276)
Total deferred income	282,965	2,110,524

In 2017, the Company received deferred income of GEL 3,095,800 for financial intermediation service. The revenue from which the Company recognises during 2 years proportionally.

20. BORROWINGS

	December 31, 2018	December 31, 2017
Long-Term Debt	-	663,797
Current Portion of Long-Term Debt	663,797	1,045,752
Short-term borrowings	-	1,242,725
Accrued Interest	10,821	80,755
Total Long-Term Debt and Short-term borrowings	674,618	3,033,029

Long-term bank loan is denominated in USD with 7% interest rate (effective: 7.11%) and maturity date until 7 October 2019. Loan interest is paid quarterly, whereas principal is payable on loan maturity date.

In 2017 long-term bank loan was secured by JSC "m² Real Estate" and Treasury (government) bonds. During 2018, the secured loan became unsecured.

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21. ACCOUNTS PAYABLE

	December 31, 2018	December 31, 2017
Amounts due to counterparties	299,311	2,234,820
Accrued cash bonus payable	984,000	842,863
Other payables	38,297	21,265
Total Accounts Payable	1,321,608	3,098,948

The carrying value of accounts payable corresponds to their fair value at the reporting date. Amounts paid for transactions and services include the amounts generated from trading by the clients, which will be paid in the following period.

22. NET FEE AND COMMISSION EXPENSE

	2018	2017
Brokerage fees	1,291,818	961,861
Commission income from storage of securities	370,598	327,927
Commission income from trading system	1,065,231	519,953
Other commission income	6,413	2,921
Total Fee and commission income	2,734,060	1,812,662
Fee and commission expense	(2,826,990)	(2,582,518)
Net fee and commission loss	(92,930)	(769,856)

The Company uses the international trading platform for trading, the commission for service in 2018 was GEL 1,927,981 (2017: GEL 2,087,112). For custody service, commission in 2018 was GEL 316,322 (2017: GEL 221,774), the non-resident brokerage service commission in 2018 was GEL 414,214 (2017: GEL 208,866).

23. INCOME FROM INVESTMENT BANKING AND RESEARCH

	2018	2017
Income from Bonds Placement	982,822	2,099,890
Financial Income	2,548,730	1,458,219
Investment banking	3,531,552	3,558,109
Income from Research	90,166	50,080
Other income	56,782	91,447
Total other operating income	3,678,500	3,699,636

The financial income includes revenue from refinancing service as well as placement service, in 2018 was GEL 1,827,559 (2017: GEL 985,276).

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Salaries (excluding annual bonus)	1,546,890	1,481,719
Annual bonus	1,730,394	1,662,577
Rent and utilities	182,566	182,770
Sales & marketing expenses	67,597	68,876
Depreciation and amortisation	105,370	151,228
Consultation and other professional fees	106,314	79,931
Allowance for doubtful receivables	-	19,266
Business Trip	33,662	32,473
Representative expenses	33,297	21,002
Taxes other than income	19,848	16,309
Other administrative expenses	129,635	125,598
Total general and administrative expenses	3,955,573	3,841,749

The audit service expense in 2018 was GEL 13,918 (2017: GEL 22,000).

25. NET INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
Realized gain / (loss) from trading of Financial Assets at Fair Value through profit or loss	(71,354)	71,923
Gain from revaluation of Financial Assets at Fair Value through profit or loss	115,827	87,349
Net gain from trading securities	44,473	159,272

26. INTEREST INCOME

	2018	2017
Commercial loans	1,434,085	1,164,340
Interest-bearing securities	681,530	516,438
Bank deposits	387,173	209,293
Total Interest income	2,502,788	1,890,071
Interest expense	(57,362)	(274,249)
Net Interest Income	2,445,426	1,615,822

The interest expense on loans from commercial banks in 2018 was 55,369 (2017: 245,790).

27. NET FOREIGN EXCHANGE GAIN (LOSS)

	2018	2017
Gain from Foreign exchange rate	8,330,420	11,605,380
Loss from Foreign exchange rate	(7,974,155)	(11,826,800)
Total net gain / (loss) from changes in exchange rates	356,265	(221,420)

28. RELATED PARTY TRANSACTIONS

JSC BG Financial, member of BOGG, holds 100% of the ordinary shares of the Company with voting rights. Bank of Georgia Group plc is the ultimate controlling party of the BOGG Group. BOGG Group produces and publishes consolidated financial statements available for public use.

Transactions with JSC Bank of Georgia:

AMOUNT OF TRANSACTIONS	2018	2017
Fee and commission income	8,967	5,237
Fee and commission expenses	326,503	197,075
Trade & service income	-	-
Trade & service expenses	-	63,656
Rent income	-	44,496
Rent and other operating expenses	203,716	158,892
Interest Expense	2,042	128,379

Transactions with entities controlled by JSC Bank of Georgia:

AMOUNT OF TRANSACTIONS	2018	2017
Fee and commission income	82,365	92,055
Fee and commission expenses	1,400	1,398
Trade & service income	-	1,362,370
Trade & service expenses	-	-
Rent income	-	5,962
Interest expense	1,627	54,148
Insurance expense	17,123	24,017
Other operating Income	398,722	-
Other operating Expense	370,605	-

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Balance with JSC Bank of Georgia:

Amount of Balance	December 31, 2018	December 31, 2017
Cash and Cash Equivalents	10,098,204	24,679,100
Financial Assets at Fair Value through profit or loss	-	-
Short-term borrowings	-	333,661
Accounts receivable	3,329	-
Accounts payable	120,135	47,741

Balance with entities controlled by JSC Bank of Georgia:

Amount of Balance	December 31, 2018	December 31, 2017
Financial Assets at Fair Value through profit or loss	2,186,575	2,706,177
Short-term borrowings	-	9,688
Accounts receivable	-	505,332
Accounts payable	837	350,832

The following table illustrates key management compensation during the period:

Key management compensation	2018	2017
Salaries, Bonuses and Other Benefits	739,079	565,548

29. COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Company as lessee

In January 2016 the Company signed operational lease agreement with JSC Bank of Georgia, for one year period, in which the Company is presented as a lessee. According to the agreement period of the contract will continue indefinitely. According to the agreement, the company received the office space, where it currently operates. This agreement is not cancellable, however, it can be renewed in the future. The annual payment equals to USD 5,258 equivalent in GEL.

As of 31 December 2018, the minimum lease commitment that have to be covered before the term of the lease (31 August 2020) is GEL 281,070. The operational lease expenses are recognised in profit and loss and equal to GEL 160,309 (2017: GEL 158,892).

30. INFORMATION ON FINANCIAL RISKS

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

- Credit risk: the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the Company.
- Liquidity risk: the risk that the Company may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.
- Market risk: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the Company is exposed to three market risk components:
 - Interest rate risk
 - Currency risk
 - Equity price risk

The Company's management in cooperation with the Company's operating units carries out risk management. Due to the relative simplicity of the Company's operations, there are no written policies on overall risk management.

30. INFORMATION ON FINANCIAL RISKS (CONTINUED)

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

FINANCIAL ASSETS	December 31, 2018	December 31, 2017
Cash and Cash Equivalents	529,987	3,993,616
Client's Cash and Cash Equivalents	14,884,880	24,946,862
Accounts Receivable	574,396	1,880,220
Loans issued	8,472,468	225,000
Financial Assets at Fair Value through other comprehensive income	535,320	-
Financial Assets at Fair Value through profit or loss	4,476,798	5,961,688
TOTAL FINANCIAL ASSETS	29,473,849	37,007,386
FINANCIAL LIABILITIES	December 31, 2018	December 31, 2017
Accounts Payable	1,321,608	3,281,539
Amounts due to clients	14,884,880	24,946,862
Short-term borrowings	674,618	2,358,411
Current income tax payable	3,163	-
TOTAL FINANCIAL LIABILITIES	16,884,269	30,586,812
Difference between financial assets and liabilities	12,589,580	6,420,574

The following table provides an analysis of assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	Fair Value as at the end of reporting period		
	Level 1	Level 2	Level 3
Fair Value of Assets as of December 31, 2018			
Cash and Cash Equivalents	529,987	-	-
Client's Cash and Cash Equivalents	14,884,880	-	-
Financial Assets at Fair Value through profit or loss	4,476,798	-	-
Loans issued	-	-	8,472,468
Accounts Receivable	-	-	709,655
Financial Assets at Fair Value through other comprehensive income	535,320	-	-
Investment properties	-	-	1,362,000
Total as of December 31, 2018	20,426,985	-	10,544,123
Fair Value of Assets as of December 31, 2017			
Cash and Cash Equivalents	3,840,712	-	-
Financial Assets at Fair Value through profit or loss	5,961,689	-	-
Loans issued	-	-	6,880,552
Accounts Receivable	-	-	1,880,220
Investment properties	-	-	1,362,000
Total as of December 31, 2017	9,802,401	-	10,122,772

The Company does not have any liability classified in the category "at fair value through profit or loss". Cash and cash equivalents presented above contains the client's funds see note 17.

Credit Risk

The company's maximum credit risk is shown in following table:

	December 31, 2018	December 31, 2017
Cash and Cash Equivalents	529,987	3,993,616
Client's Cash and Cash Equivalents	14,884,880	24,946,862
Loans issued	8,472,468	6,880,552
Accounts Receivable	574,396	1,880,220
Total exposure to credit risk	24,461,731	37,701,250

30. INFORMATION ON FINANCIAL RISKS (CONTINUED)

Credit Risk (Continued)

As explained in Note 16, cash and cash equivalents balances represent bank balances and short-term deposits with less than three months maturity. The Company does not hold collateral for any of its receivables. All the receivables and prepayments that are past due at reporting date are impaired as appropriate. All of the financial assets at FVPL and FVOCI are in the form of investments in equity securities and therefore they have no exposure to credit risk.

Liquidity Risk – Financial liabilities maturity analysis

The Company manages liquidity risk on the basis of expected maturity dates.

The following table provides an analysis of the remaining contractual maturities (contractual and undiscounted cash flows) of the Company's financial assets and liabilities as at 31 December 2018 and 31 December 2017:

31 December 2018

FINANCIAL ASSETS	Less than 1 year	1 - 5 years	Over 5 years	Total
Cash and Cash Equivalents	529,987	-	-	529,987
Client's Cash and Cash Equivalents	14,884,880	-	-	14,884,880
Financial Assets at Fair Value through profit or loss	4,476,798	-	-	4,476,798
Loans issued	8,472,468	-	-	8,472,468
Accounts Receivable	574,396	-	-	574,396
Financial Assets at Fair Value through other comprehensive income	-	535,320	-	535,320
TOTAL FINANCIAL ASSETS	28,938,529	535,320	-	29,473,849
FINANCIAL LIABILITIES	Less than 1 year	1 - 5 years	Over 5 years	Total
Short-term borrowings	674,618	-	-	674,618
Amounts due to clients	14,884,880	-	-	14,884,880
Accounts Payable	1,321,608	-	-	1,321,608
Current income tax payable	3,163	-	-	3,163
TOTAL FINANCIAL LIABILITIES	16,884,269	-	-	16,884,269
Liquidity Risk	12,054,260	535,320	-	12,589,580

31 December 2017

FINANCIAL ASSETS	Less than 1 year	1 - 5 years	Over 5 years	Total
Cash and Cash Equivalents	3,993,616	-	-	3,993,616
Client's Cash and Cash Equivalents	24,946,862	-	-	24,946,862
Financial Assets at Fair Value through profit or loss	5,835,213	126,475	-	5,961,688
Loans issued	-	6,880,552	-	6,880,552
Accounts Receivable	2,373,731	19,646	-	2,393,377
Financial Assets at Fair Value through other comprehensive income	-	-	-	-
TOTAL FINANCIAL ASSETS	37,149,422	7,026,673	-	44,176,095
FINANCIAL LIABILITIES	Less than 1 year	1 - 5 years	Over 5 years	Total
Short-term borrowings	2,358,411	674,618	-	3,033,029
Amounts due to clients	24,946,862	-	-	24,946,862
Accounts Payable	3,281,539	-	-	3,281,539
Current income tax payable	-	-	-	-
TOTAL FINANCIAL LIABILITIES	30,586,812	674,618	-	31,261,430
Liquidity Risk	6,562,610	6,352,055	-	12,914,665

Interest rate risk

The Company's exposure to interest rate risk only concerns financial assets which are fixed rate. The impact of a change in interest rates on fixed interest rate financial assets on their fair value was assessed to be insignificant.

30. INFORMATION ON FINANCIAL RISKS (CONTINUED)

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Foreign currency risk

Foreign currency denominated assets (bank balances, deposits, securities and receivables) and liabilities (payables) give rise to foreign exchange exposure. The Company does not have any formal procedures on managing currency risk, however, management considers themselves to be well informed on the tendencies in the economy and has undertaken several steps to minimize its currency risks. These steps mainly include placing currency deposits and holding financial instruments.

Financial Assets by Currency

Financial assets as at 31 December 2018 and 31 December 2017 are analysed by currency as follows:

2018							
Financial Assets	GEL	US Dollars	Euros	GB Pounds	Swiss Franc	Other Currency	Total
Cash and Cash equivalents and Client's Cash and Cash equivalents	5,928,180	4,017,463	2,532,624	2,734,652	197,647	4,301	15,414,867
Accounts Receivable	239,509	338,241	65,809	63,275	-	2,821	709,655
Loans Issued	-	8,472,468	-	-	-	-	8,472,468
Financial Assets at Fair Value through other comprehensive income	-	535,320	-	-	-	-	535,320
Financial Assets at Fair Value through profit or loss	2,222,129	2,196,188	36,550	21,931	-	-	4,476,798
Total Financial Assets	8,389,818	15,559,680	2,634,983	2,819,858	197,647	7,122	29,609,108
2017							
Financial Assets	GEL	US Dollars	Euros	GB Pounds	Swiss Franc	Other Currency	Total
Cash and Cash equivalents and Client's Cash and Cash equivalents	5,656,550	13,170,959	4,396,085	5,056,060	494,785	166,039	28,940,478
Accounts Receivable	1,117,703	430,867	645,690	199,117	-	-	2,393,377
Loans Issued	225,000	6,655,552	-	-	-	-	6,880,552
Financial Assets at Fair Value through other comprehensive income	-	-	-	-	-	-	-
Financial Assets at Fair Value through profit or loss	2,270,646	3,338,555	341,339	11,148	-	-	5,961,688
Total Financial Assets	9,269,899	23,595,933	5,383,114	5,266,325	494,785	166,039	44,176,095

Financial Liabilities by Currency

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

	31 December 2018	31 December 2017
Georgian Lari	6,936,884	5,377,732
US Dollar	4,410,935	14,202,034
Euros	2,607,618	5,751,897
GB Pounds	2,728,153	5,221,934
Other	200,679	707,833
Total Financial Liabilities	16,884,269	31,261,430

Cash and cash equivalents presented above contains the client's funds and accounts payables presented above contains the amounts due to clients.

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the US Dollar would cut / increase 2018 profits after tax by GEL 812,181 (2017: GEL 264,426).

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the Euro would cut / increase 2018 profits after tax by GEL 200,200 (2016: GEL 316,675).

A hypothetical 10% increase / decrease in the exchange rate of the GEL against GB Pound would cut / increase 2018 profits after tax by GEL 44,664 (2016: GEL 357,081).

31. EVENTS AFTER THE REPORTING PERIOD

The issued loan was fully repaid after the reporting period, in particular on February 11, 2019 amounting GEL 8,472,468.