MFO Express Capital + LLC

Financial Statements
For the Year Ended December 31, 2020

and

Independent Auditors` Report

MFO Express Capital + LLC
Financial Statements
For the year ended December 31, 2020
Amounts presented in GEL

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STATEMENT OF MANAGEMENT's RESPONSIBILITY

Management of MFO Express Capital + LLC is responsible for the accompanying financial statements.

This responsibility includes:

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

Management is also responsible for:

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

The financial statements for the year ended December 31, 2020 were approved by the Management and signed on its behalf:

Jansugh Zeishvili	Nino Jortmenadze
Executive Director	Chief Accountant
MFO Express Capital + LLC	MFO Express Capital + LLC

Date: June 14, 2021

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Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Date: June 14, 2021

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

Moore Abc, LLC

6 Marjanishvili Street
0102, Tbilisi, Georgia

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INDEPENDENT AUDITORS' REPORT
To the Management of MFO Express Capital + LLC

Qualified opinion

We have audited the financial statements of MFO Express Capital + LLC (the "Company") which comprise the statement of financial position as at December 31, 2020 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2020 and its performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

During the audit process we found out that Company's Loan Loss Reserve model for Expected Credit Loss (ECL) does not correspond to the requirments of IFRS 9 ("Financial Instruments"), in particular: the Company uses National Bank of Georgia's (NBG's) standard rates for overdue loans in order to group loans (Loan Staging), which is not the complete model in comparison to the instructions described in IFRS, which uses for the model not only the number of overdue days, but also many other criterias, like: changes in credit ratings, restructurings, liquidity and etc. Moreover, the standard rates used by the Company does not comprise of such complex parameters as: Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD). The absence of this parameters in the model implies that allowance policy of the Company does not comprise the forecasted macroeconomic information, which is one of the main requirment of IFRS 9.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants` Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the standalone 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 gave obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information that is not financial statements nor auditor's opinion

Management is responsible for Other Information. Other Information contains information that is included in the Management report, but does not imply financial statements and our opinion regarding them. Probably, Management report will be available for us after the issuance of our audit report.

Our opinion about financial statements does not include abovementioned Other Information and we do not express any kind of assurance regarding it.

Our responsibility regarding to the audit of the financial statements implies that we have to familiarize with abovementioned Other Information and discuss is this information substantionally unsuitable with financial statements or with information that we obtained during the audit or does it leave any kind of impression that it might be substantionally false.

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of Management and Those charged with governance for the Financial Statements

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness and correctness of accounting estimates and 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 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, incuding 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 an 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: June 14, 2021

Tbilisi, Georgia

MFO Express Capital + LLC
Statement of Financial position
For the year ended December 31, 2020
Amounts presented in GEL

	Note	31-Dec-20	31-Dec-19
Assets			
Cash and cash equivalents	**6**	233,751	275,874
Loans to customers	**7**	1,263,570	1,539,758
Property, plant and equipment	**8**	524,104	294,715
Intangible assets	**9**	77,381	85,948
Tax assets	**10**	46,304	71,584
Other assets	**11**	478,096	232,045
Total assets		**2,623,206**	**2,499,924**
Liabilities			
Borrowings	**12**	1,068,121	1,208,639
Finance lease	**8**	274,188	35,766
Deferred income tax liability		3,131	-
Other liabilities		-	35,146
Total liabilities		**1,345,440**	**1,279,551**
Equity			
Share capital	**13**	1,203,550	1,203,550
Retained earnings		74,216	16,823
Total equity		**1,277,766**	**1,220,373**
Total liabilities and equity		**2,623,206**	**2,499,924**

Jansugh Zeishvili
Executive Director

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

MFO Express Capital + LLC

Date: June 14, 2021

MFO Express Capital + LLC
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Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

Date: June 14, 2021

MFO Express Capital + LLC
Statement of Comprehensive income
For the year ended December 31, 2020
Amounts presented in GEL

	Note	2020	2019
Interest income	**7**	425,120	428,652
Interest expense	**12**	(126,888)	(108,309)
Net interest income		**298,232**	**320,343**
Income from fines	**7**	105,972	137,357
Gain/(loss) from currency trade operations		(869)	(34,247)
Net fee and commission income		10,474	19,355
Gain/(loss) from sales of PPE		-	10,319
Other income		16,749	2,590
Operating income		**430,558**	**455,717**
Operating and administrative expenses	**14**	(254,904)	(285,541)
Depreciation and amortization	**8; 9**	(58,560)	(82,029)
Income/(expense) from loan loss reserve	**7**	(41,238)	(61,048)
Other expenses		(3,428)	(3,263)
Profit before taxes		**72,428**	**23,836**
Income tax expense	**15**	(4,835)	(7,661)
Net profit/(loss) for the year		**67,593**	**16,175**
Other comprehensive income		-	-
Total comprehensive income/(expenses) for the year		**67,593**	**16,175**

Jansugh Zeishvili
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Nino Jortmenadze
Chief Accountant

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Date: June 14, 2021

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MFO Express Capital + LLC

MFO Express Capital + LLC

Date: June 14, 2021

MFO Express Capital + LLC
Statement of Changes in equity
For the year ended December 31, 2020
Amounts presented in GEL

	Share capital	Retained earnings	Total equity
Balance as at 31-Dec-2018	**500,550**	**232,957**	**733,507**
Addition to share capital	703,000	-	703,000
Profit/(loss) for the period	-	16,175	16,175
Dividends	-	(232,309)	(232,309)
Balance as at 31-Dec-2019	**1,203,550**	**16,823**	**1,220,373**
Profit/(loss) for the period	-	67,593	67,593
Dividends	-	(10,200)	(10,200)
Balance as at 31-Dec-2020	**1,203,550**	**74,216**	**1,277,766**

Jansugh Zeishvili
Executive Director

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

MFO Express Capital + LLC

Date: June 14, 2021

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Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Date: June 14, 2021

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

MFO Express Capital + LLC
Statement of Cash flows
For the year ended December 31, 2020
Amounts presented in GEL

	Note	2020	2019
Cash flows from Operating activities			
Profit/(loss) for the period before taxes		72,428	23,836
Adjustments:			
Depreciation of PPE	**8, 9**	58,560	82,029
Changes in allowance for Expected Credit Loss	**7**	41,238	61,048
Interest expense	**8, 12**	126,888	108,309
(Increase)/decrease in loans to customers		234,950	(167,131)
(Increase)/decrease in other current assets		(171,991)	(195,085)
(Decrease)/increase in other current liabilities		(35,146)	(8,800)
Cash outflow before interest expense and taxes		**326,927**	**(95,794)**
Payment of interest expense		(120,193)	(106,112)
Payment of income tax		-	(10,500)
Cash flows from Operating activities		**206,734**	**(212,406)**
Cash flows from Investing activities			
Acquisition of PPE	**8**	(43,331)	(98,044)
Acquisition of intangible assets	**9**	(6,528)	-
Cash flows from Investing activities		**(49,859)**	**(98,044)**
Cash flows from Financing activities			
Borrowings received		1,191,276	2,691,484
Borrowings repaid		(1,338,489)	(2,741,836)
Additions to share capital	**13**	-	703,000
Changes in finance lease		(41,585)	35,766
Dividends paid		(10,200)	(232,309)
Cash flows from Financing activities		**(198,998)**	**456,105**
Net increase in Cash and cash equivalents		**(42,123)**	**145,655**
Cash and cash equivalents at the beginning of the reporting period		**275,874**	**130,219**
Cash and cash equivalents at the end of the reporting period	**6**	**233,751**	**275,874**

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Date: June 14, 2021

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Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

Date: June 14, 2021

1 The Company and its principal activities

MFO Express Capital + LLC (referred to as "the Company") was registered on August 21, 2014. Legal address of the Company is 46, #86a, Gorgiladze str., Batumi, Georgia.

Main activity of the Company is to issue micro loans for entrepreneur individuals and legal entities. The company issues loans mostly without collateral. According to the legislation applicable to the loans issued by the Company, the upper limit of the loan equals to 100,000 GEL.

Founder of MFO Express Capital + LLC is:

Founder	31-Dec-20	31-Dec-19
Jansugh Zeishvili	100%	100%
	100%	**100%**

2 Operating environment of the Company

The Company operates in Georgia. In Georgia the microfinance organizations are under certain regulations of National Bank of Georgia. According to these requirements, microfiance organizations are obliged to have at least 1,000,000 GEL in cash in share capital until September 1, 2019 and issue financial statements prepared in accordance with IFRS. . Microfinance organizations in Georgia currently are not allowed to receive loans from clients and to issue loans exceeding GEL 100 thousand.

Emerging economies, such as the Georgian economy, are subject to rapid change and are vulnerable to market conditions and economic downturns elsewhere in the world. As a consequence, operations in Georgia may be exposed to certain risks that are not typically associated with those in developed markets. Nevertheless, over the last few years the Georgian government has changed number of civil, criminal, tax, administrative and commercial laws that have positively affected the overall investment climate of the country. Georgia has an international reputation as a country with a favorable investment environment. Georgia has been assigned a score of 56 (it shares 45th to 47th places with Latvia, Costa Rica and Czech Republic within 180 countries) as demonstrated by Transparency International's 2019 Global Corruption Barometer. Georgia’s score has declined insignificantly by 2 compared to previous year.

3 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company maintains its accounting records in accordance with Georgian accounting and tax regulations. These financial statements have been prepared from those accounting records and adjusted as necessary in order to be in accordance with IFRS.

These financial statements have been prepared in the national currency of Georgia, Georgian Lari (GEL).

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on Management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4 Significant accounting policies

4.1 New and revised International Financial Reporting Standards (IFRSs)

a) IFRS 9 Financial Instruments

From January 1, 2018 IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39;

4 Significant accounting policies *(continued)*

4.1 New and revised International Financial Reporting Standards (IFRSs) *(continued)*

b) IFRS 16 Finance Lease

According to IFRS 16, the lessee recognizes lease liabilities on those leases that were previously classified as operating leases..

The Company applied IFRS 16 based on modified retrospective method. The Company recognizes the cummulative adjustment on the initial balance without restating comparable data from the previous period. In the transitional period, the Company recognizes lease liabilities under IAS 17 Leases. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the initial recognition.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities is 2020: 6.98% and 2019: 6% for USD denominated contracts and 13% for GEL denominated contracts;

c) Ammendments to IAS 1 & IAS 8 - Definition of Material;

d) Ammendments to IFRS 7, 9 & IAS 39 - Interest Rate Benchmark Reform.

4.2 Cash and cash equivalents

Cash and cash equivalents include: cash on hand and cash held in banks on current accounts.

4.3 Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans to customers are initially recognized at the fair value (which is equal to the amount disbursed to customer), plus related transaction costs directly related to the issuance of the loan. Loans are subsequently carried at amortized cost using the effective interest method.

Loans to customers are carried net of any allowance for impairment losses. A loan loss reserve for loans to customers is made when there is objective evidence that the Company will not be able to collect the amount according to the original terms of the loan agreement. The carrying amount of loans to customers is reduced by the loan loss reserve and this amount is recognized in the statement of comprehensive income. When a loan is uncollectible, it is written off against the loan loss reserve. Loans are written off after management exercises all possibilities available to collect amounts due to the Company and after the Company sells all available collateral.

4.4 Property, plant and equipment

Tangible items that are held for use in supply of services, for rental to others, or for administrative purposes and are expected to be used during more than one period are recognized in the balance sheet as property and equipment. Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives of the groups of PP&E are disclosed in the following table.

Asset group	Estimated useful life
Office furniture and other fixed assets	5 - 10 years
Vehicles	5 years
Buildings	20 years
Right-of-use asset	2 years

4 Significant accounting policies *(continued)*

4.4 Property, plant and equipment *(continued)*

The useful lives, residual values and depreciation methods are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from those assets. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

At each reporting date, the management assesses whether there is any indication that any element of property, plant and equipment may be impaired. If there is an indication of possible impairment, the recoverable amount (the higher of and asset's value in use and its fair value less costs of disposal) of any affected asset is estimated and compared with its carrying amount. If the carrying amount is greater than its recoverable amount, an impairment loss is recognised immediately in the statement of comprehensive income. Recovery of imparement loss recognised in previous years occurs, when impairement no longer exists or it is reduced. Recovery of imparement loss is included in same account, where impairement loss is recognized. The previously recognized impairment loss is reversed in a way that, after recovery, the carrying amount of an asset does not excess the amount that would have been determined had no impairment loss been recognised for the asset in prior years.

4.5 Intangible assets

Intangible assets that are created are accounted by capitalisating expenses incurred on them and then deducting accumulated amortization and impairment loss. Amortization expenses are presented in profit or loss statement based on a straight line method over the useful life of an individual intangible asset. Useful life is 10 years.

4.6 Income tax

Income taxes have been provided for in the financial statements in accordance with the legislation enacted or substantively enacted by the end of reporting period in Georgia. The income tax charge/credit comprises current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, directly in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

4 Significant accounting policies *(continued)*

4.6 Income tax *(continued)*

In May 2016, the Parliament of Georgia enacted the changes in the Tax Code and approved a changed corporate tax model. The model is known as Estonian Tax Model. The changes are applicable from 1 January 2017 for all entities apart from certain financial institutions (commercial banks, credit unions, insurance organizations, microfinance organizations and pawnshops), with changes applicable from 1 January 2023. According to this model, the moment of the taxation was moved from the date of earning profit to the date of its distribution and, therefore, the main taxable object is the distributed profit (profit distributed by issuance of dividends to shareholders). The changed model implies a 0% corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings.

4.7 Impairment of non financial assets

Non-financial assets, which in these financial statements of the Company include Property, plant and equipment, are assessed at each reporting date for any indications of impairment.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of such non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

All impairment losses in respect of such non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceeds the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.8 Rent

Determining whether the agreement contains a lease
Determining whether an agreement constitutes (or contains) a lease occurs at the beginning of the lease, depending on the substance of the agreement. An agreement constitutes or includes a lease if it transfers control of an identifiable asset over a period of time in exchange for a refund.

At the effective date of the lease, the Company recognizes the right to use the leased asset and the lease obligation.

The right to use the asset
The Company assesses the right to use an asset at the effective date of the lease at cost less direct lease liabilities, adjusted for any additional charges incurred at or prior to the effective date of the lease, as well as any direct costs incurred by the lessee and the costs incurred To remove improvements made in branches and offices.

The right to use an asset from the commencement of the lease until the end of the lease term is accrued on a straight-line basis over the estimated straight-line year.

Lease liability
For the date of commencement of the lease term, the Company assesses the lease liability at the present value of the lease payments that have not been effected at that date. Lease payments are discounted at the default interest rate on the lease, if this rate can be easily determined. If this rate cannot be easily determined, the company uses a marginal lending interest rate.

4 Significant accounting policies *(continued)*

4.8 Rent *(continued)*

Lease liability *(continued)*

In general, rent payments include fixed payments (including existing fixed payments) less rental incentive payments received; Index or rate-dependent variable lease payments that are initially estimated using an index, or rate, for the lease start date; The amounts that the lessee is expected to pay under the residual value guarantees; The price of the option to purchase, if it is sufficiently credible that the lessee will exercise this right and pay penalties for early termination of the lease, if the term of the lease reflects the lessee's exercise of the right to terminate the lease early.

In the case of a company, rent payments include monthly fixed payments in foreign currency.

After the start date of the lease term, the Company increases the lease liability by reflecting the interest on the lease liability and decreases the lease payments made. In addition, the Company reassesses the lease liability if changes in the terms of the lease occur.

4.9 Other liabilities

Other liabilities are recognized initially at fair value and subsequently measured at amortized cost.

4.10 Loans and borrowings

Loans and borrowings are carried at amortized cost using the effective interest method. Borrowing costs are recognized as an expense in the profit and loss in the period when they are incurred.

4.11 Share capital

The amount of Company's share capital is defined by the Company's Charter. The changes in the Company's Charter (including changes in share capital, ownership, etc) shall be made only based on the decision of the Company's shareholders. The authorized capital is recognized as share capital in the equity of the Company to the extent that it was actually contributed by the shareholders to the Company.

4.12 Interest income and expense recognition

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

4.13 Fines, other incomes and expenses

All other fees and commissions, as well as other income and expenses, are recorded on a accrual basis in connection with the completion of a particular transaction, which is assessed on the basis of the service actually provided as part of the full service provided.

4.14 Foreign currency translation

Transactions denominated in foreign currency are recorded at the exchange rate ruling on the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of comprehensive income using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are translated into Georgian Lari at the official exchange rate of the National Bank of Georgia (NBG) for the last date of the reporting period. On December 31 the principal rates of exchange used for translating foreign currency balances were:

	31-Dec-20	**31-Dec-19**
USD	3.2766	2.8677
EUR	4.0233	3.2095

4 Significant accounting policies *(continued)*

4.15 Offsetting

Financial assets (loans and receivables) and financial liabilities (borrowings and accounts payable) are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Incomes and liabilities are not offset unless required or permitted by IFRS and as specifically disclosed in the accounting policies of the Company.

4.16 Financial instruments

Initial recognition and measurement

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

Transaction costs incurred on acquisition of a financial asset and issue of a financial liability classified at fair value through profit or loss are expensed immediately.

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

Subsequent measurement of financial assets

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

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

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election at initial recognition for investments in equity instruments to present subsequent profit or loss in the statement of other comprehensive income.

Impairment of financial assets

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

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, it is recognised in profit or loss.

4 Significant accounting policies *(continued)*

4.16 Financial instruments *(continued)*

Impairment of financial assets (continued)

In addition, for loans issued that are assessed not to be impaired individually, the Company assesses them collectively for impairment, based on the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on loans issued, etc (Note 5).

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

Subsequent measurement of financial liabilities

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

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

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

Derecognition of financial liabilities

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

4.17 Comparative information

Comparable information is also reclassified in the financial statements for compliance with the current year. A summary of the adjustments made as a result of the recalculation and re-submission in the cash flow statement for December 31, 2019 is given in the following table:

Statement of Cash flows	**PY figures**	**Reclass**	**Recalculated**
Changes in finance lease	35,766	(35,766)	-
Impact on cash flows from operating activities	**35,766**	**(35,766)**	**-**
Additions to share capital	703,000	(703,000)	-
Impact on cash flows from investment activities	**703,000**	**(703,000)**	**-**
Changes in finance lease	-	35,766	35,766
Additions to share capital	-	703,000	703,000
Impact on cash flows from financial activities	**-**	**738,766**	**738,766**
Overall impact on Statement of Cash flows	**738,766**	**-**	**738,766**

4 Significant accounting policies *(continued)*

4.17 Comparative information *(continued)*

Management believes that the current presentation provides information that is accurate and more relevant and useful to the users of financial statements.

5 Critical accounting judgments

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects both current and future periods.

Below are presented the key assumptions concerning the future and other key sources at the end of the reporting period that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Useful live of property, plant and equipment – The estimation of the useful life property and equipment is a matter of management 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.

Useful live of intangible assets - assessment of the useful life by the management is based on management's estimates in respect of similar assets. In determining the useful live of intangible assets, management takes into consideration estimated use, estimated technical malfunctions, and amortization. Changes in the assessments can lead to adjustment of amortization expenses.

Loss related to loans and recievables - is recognized in the profit or loss statement and adjusted if the following increase in recoverable amount can be objectively related to the events after recognition of the above mentioned imparement loss. When the loan is uncollectible, it is written off against loan loss reserve. The Company will write off the remaining part of the loan and related loan loss reserve, when the management determines that the collection of loan is impossible and all actions are taken to collect the loan.

6 Cash and cash equivalents

Cash and cash equivalents	31-Dec-20	31-Dec-19
Cash on hand	212,034	246,160
Cash in bank	21,717	29,714
Total Cash and cash equivalents	**233,751**	**275,874**

Cash and cash equivalents by currencies	31-Dec-20	31-Dec-19
Georgian Lari	131,590	52,559
United States Dollar	95,941	158,227
Euro	5,150	57,185
Turkish Lira	852	1,382
Russian Ruble	218	6,350
Pound sterling	-	171
Total Cash and cash equivalents	**233,751**	**275,874**

The Company's cash is deposited in reliable banks, where no significant credit risk arises for it. Company's cash is deposited in banks rated by Fitch as BB- (long-term rating).

7 Loans to customers

The Company issues loans mainly to individual entrepreneurs and to individuals for the purpose of financing working capital. All loans are short-term. Loans are collateralized with guarantee or movable/immovable property.

7.1 Gross loan portfolio by principal and accrued interest

Gross loan portfolio by principal and accrued interest	31-Dec-20	31-Dec-19
Principal	1,245,647	1,631,266
Interest	37,040	51,621
Gross loan portfolio	**1,282,687**	**1,682,887**
Less: Loan loss reserve	(19,117)	(143,129)
Net portfolio	**1,263,570**	**1,539,758**

7.2 Loan loss reserve

The Company makes provisions on principal and interest. In 2020 and 2019 the Company has made provisions on issued loans according to the requirements of the National Bank of Georgia (NBG), which states that: if loan is overdue for a period of 30-60 days provision is equal to 30%, for the period of 60-120 days rate must be increased to 50% and if the overdue period is more than 120 days provision is equal to 100%. Provisions are made for both principal amount and interest receivable.

Change in Loan Loss Reserve	2020	2019
Balance at January 1	**143,129**	**82,081**
plius: Doubtful loans in the current period	530,122	259,313
minus: Recovered doubtful loans	*(488,884)*	*(198,265)*
minus: Written-down loans	*(165,250)*	-
Balance at December 31	**19,117**	**143,129**

At December 31, 2020

Overdue days	Reserve rate	Loan principal	Reserve amount
0-30	0%	1,228,909	-
31-60	30%	38,858	11,657
61-120	50%	14,920	7,460
> 120	100%	-	-
Total		**1,282,687**	**19,117**

Based on the order of the National Bank of Georgia, June 2, 2020, # 2-08 / 1683, the organization must reserve the entire loan portfolio in the amount of 5%, which in 2020 amounted to 17,025 GEL. Total loan loss reserve for 2020 is GEL 36,142

At December 31, 2019

Overdue days	Reserve rate	Loan principal	Reserve amount
0-30	0%	1,537,303	-
31-60	30%	3,507	1,052
61-120	50%	-	-
> 120	100%	142,077	142,077
Total		**1,682,887**	**143,129**

8 Property, plant and equipment

Historical cost	Buildings	Vehicles	Right-of-use asset*	Office furniture and other	Total
31-Dec-18	**194,322**	**66,800**	**-**	**60,131**	**321,253**
IFRS 16 effect as at January 01, 2019	-	-	66,014	-	**66,014**
Additions	4,744	10,319	-	28,120	**43,183**
Disposals	-	(22,819)	-	-	**(22,819)**
31-Dec-19	**199,066**	**54,300**	**66,014**	**88,251**	**407,631**
Additions	41,499	-	264,999	8,980	**315,478**
Disposals	(29,065)	-	(66,014)	(4,736)	**(99,815)**
31-Dec-20	**211,500**	**54,300**	**264,999**	**92,495**	**623,294**
Accumulated depreciation					
31-Dec-18	**(18,075)**	**(16,268)**	**-**	**(22,654)**	**(56,997)**
Depreciation for the period	(13,364)	(10,391)	(30,538)	(13,292)	**(67,585)**
Depreciation write-off	-	11,666	-	-	**11,666**
31-Dec-19	**(31,439)**	**(14,993)**	**(30,538)**	**(35,946)**	**(112,916)**
Depreciation for the period	(10,359)	(8,100)	(11,042)	(13,964)	**(43,465)**
Depreciation write-off	23,915	-	30,538	2,738	**57,191**
31-Dec-20	**(17,883)**	**(23,093)**	**(11,042)**	**(47,172)**	**(99,190)**
Carrying amount					
31-Dec-18	***176,247***	***50,532***	***-***	***37,477***	***264,256***
31-Dec-19	***167,627***	***39,307***	***35,476***	***52,305***	***294,715***
31-Dec-20	***193,617***	***31,207***	***253,957***	***45,323***	***524,104***

Loans received from banks are collateralized by Property, plant and equipment (See Note 12).

* The Company has operating lease agreements, where it is represented as lessee. Based on these agreements, the Company has some spaces for office and vehicles under the lease with the following monthly payments - 625 USD (24 months), 500 USD (15 months), 625 GEL (14 months) and 125 GEL (two leases for vehicles for 24 months and one lease for vehicles for 17 months) for 2019, In 2020, all office and car rent contracts were terminated and one 10-year (120 months) worth $ 1,000 was signed. Under the terms of the contract, the first five months of the lease were repaid in advance.

The carrying amount of the right to use the asset and the depreciation expense at the end of the reporting period 2020 are GEL 264,999 and GEL 11,042, respectively (31-Dec-19: GEL 35,476 and GEL 30,538). The company's loan interest rate 2020: 6.98% USD (2019: 6% USD, 13% GEL) is used to calculate the discount on rent payments. Lease liability and related interest expense at the end of the reporting period 2020 amount to GEL 274,188 and GEL 7,772, respectively (31-Dec-19: GEL 35,766 and GEL 3,023).

9 Intangible assets

Company's intangible asset is a financial accounting and loans software, which was bought in 2016.

Historical cost	Software	Total
31-Dec-18	**129,543**	**129,543**
31-Dec-19	**129,543**	**129,543**
Additions	6,528	**6,528**
31-Dec-20	**136,071**	**136,071**
Accumulated amortization		
31-Dec-18	**(29,151)**	**(29,151)**
Amortization for the period	(14,444)	**(14,444)**
31-Dec-19	**(43,595)**	**(43,595)**
Amortization for the period	(15,095)	**(15,095)**
31-Dec-20	**(58,690)**	**(58,690)**

9 Intangible assets *(continued)*

Carrying amount		
31-Dec-18	***100,392***	***100,392***
31-Dec-19	***85,948***	***85,948***
31-Dec-20	***77,381***	***77,381***

10 Tax assets

At December 31, 2020 the amount of tax assets is 46,304 GEL. At December 31, 2019 the amount of tax assets was 71,584 GEL.

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Other assets	**31-Dec-20**	**31-Dec-19**
Advances	467,975	218,404
Debitors	7,743	11,254
Inventories	2,378	2,387
Total other assets	**478,096**	**232,045**

12

Borrowings	**31-Dec-20**	**31-Dec-19**
Borrowings from natural persons in GEL	645,854	772,153
Borrowings from banks in GEL	341,990	387,735
Borrowings from natural persons in USD	80,277	48,751
Total borrowings	**1,068,121**	**1,208,639**

Duration of borrowings	**31-Dec-20**	**31-Dec-19**
Short-term borrowings	1,068,121	1,208,639
Total borrowings	**1,068,121**	**1,208,639**

Interest expense	**2020**	**2019**
Interest expense in GEL	114,872	74,373
Interest expense in USD	4,244	30,913
Total interest expense	**119,116**	**105,286**

Loans are taken from the 2 banks. In particular, during the 2020 year, the Company received an additional 7 loans from JSC Bank of Georgia and JSC Halyk Bank Georgia, thus repaying the previous year's loan liabilities. As at December 31, 2020, the balance of loans payable is: GEL 242,000 and GEL 99,990, respectively.

11 loans in GEL and 4 loans in USD are received from natural persons. On July 2, 2015 the Company received 10,000 GEL with 12% annual interest rate . Company received 2 loans. The first on October 28, 2014 in amount of 4,378 GEL with 11% annual interest rate from August of 2019 and the second loan on July 30, 2019 in amount of 11,000 USD with 6% annual interest rate. 2 loans were received - the first on November 1, 2016 in amount of 1,000 GEL with 18% annual interest rate. The second on October 1, 2019 in amount of 1,000 USD with 6% annual interest rate. One loan is received on January 24, 2017 in amount of 10,000 GEL with 18% annual interest rate. On January 17, 2018 the Company received 36,236 GEL with 11% annual interest rate from July of 2019. In 2019 the Company received GEL4,500 and duting the 2020 year 2,000 GEL with 11% annual interest rate. On September 20, 2019 the Company received 10,000 USD with 8% annual interest rate. 1 loan is received on July 1, 2019 in amount of 573,740 GEL, annual interest rate 12%. On October 6, 2020 the Company received loan in amount of 5,000 GEL, with 12% annual interest rate. On September 18, 2020 is received loan in amount of 8,000 USD, with 6% annual interest rate. The Company received loan in amount of 60,000 GEL, with 10% annual interest rate, at January 31, 2020, which was repaid in during the 2020 year. During the 2020 year the Company have repaid loan, which was received on November 18, 2020. Principal amount of loan was 132,300 GEL.

13 Share capital

In 2019 the share capital of the Company increased by 703,000 GEL and at December 31, 2019 and 2020 is equal to 1,203,550 GEL.

14	**Operating and administrative expenses**	**2020**	**2019**
	Salary expense	175,074	180,320
	Consultation expense	28,833	44,763
	Service expense	16,397	15,887
	Transportation expense	6,596	10,142
	Bank service expense	3,927	10,337
	Advertising expense	900	9,694
	Other general expenses	23,177	14,398
	Total operating and administrative expenses	**254,904**	**285,541**

15	**Deferred and current income taxes**	**31-Dec-20**	**31-Dec-19**
	Property, plant and equipment	(36,773)	3,406
	Intangibles	11,037	9,752
	Payables from money transfer companies	41,128	5,365
	Net deferred income tax asset (liability)	**15,392**	**18,523**

PP&E and intangibles - There are certain differences in assets recognition criteria, depreciation /amortization methods and useful life estimations between IFRS and Georgian tax Code which cause differences between IFRS-determined carrying value of PP&E/Intangibles and the tax base of those assets. This difference gives raise to deferred tax. Also, some write-offs of PP&E recognized in IFRS financial statements in one period can only be deducted for tax purposes in later periods, when certain administrative procedures are completed.

Right-of-use assets and lease liabilities - There are certain differences in assets recognition criteria between IFRS and Georgian tax Code. In particular, under IFRS leases are recognised as expense in form of depreciation and interest expense, while under Georgian tax Code only the contract value of lease is recognised as expense.

Movement in the deferred tax during the year	**2020**	**2019**
At the beginning of the year - asset (liability)	-	-
Movement for the year – benefit / (expense)	(3,131)	-
At the end of the year	**(3,131)**	**-**
Income tax expense for the year	**(1,704)**	**(7,661)**
Total Income tax (expense)/benefit for the year	**(4,835)**	**(7,661)**

16 Financial risks management

16.1 Foreign exchange risk

Foreign currency risk is the risk that fluctuations in currency exchange rates will negatively affect the Company's financial position and its profitability. Foreign currency risk arises from assets and liabilities denominated in foreign currencies.

Company's financial liabilities are denominatid in foreign currency - the Company received some loans in USD. Therefore the effect of foreign currency rate changes may be significant for the Company.

Financial assets and financial liabilities of the Company categorized by currencies (corresponding equivalents in GEL) are presented in the table below.

16 Financial risks management *(continued)*

16.1 Foreign exchange risk *(continued)*

As at December 31, 2020	GEL	Other	USD	Total
Financial assets				
Cash and cash equivalents	131,590	6,220	95,941	**233,751**
Loans to customers (Net)	1,263,570	-	-	**1,263,570**
Other assets	478,096	-	-	**478,096**
Total financial assets	**1,873,256**	**6,220**	**95,941**	**1,975,417**
Financial liabilities				
Loans and borrowings	987,844	-	80,277	**1,068,121**
Financial lease	-	-	274,188	**274,188**
Other liabilities	-	-	-	**-**
Total financial liabilities	**987,844**	**-**	**354,465**	**1,342,309**
Net currency position	**885,412**	**6,220**	**(258,524)**	

As at December 31, 2019	GEL	Other	USD	Total
Financial assets				
Cash and cash equivalents	52,559	65,088	158,227	**275,874**
Loans to customers (Net)	1,539,758	-	-	**1,539,758**
Other assets	232,045	-	-	**232,045**
Total financial assets	**1,824,362**	**65,088**	**158,227**	**2,047,677**
Financial liabilities				
Loans and borrowings	1,159,888	-	48,751	**1,208,639**
Financial lease	10,006	-	25,760	**35,766**
Other liabilities	35,146	-	-	**35,146**
Total financial liabilities	**1,205,040**	**-**	**74,511**	**1,279,551**
Net currency position	**619,322**	**65,088**	**83,716**	

16.2 Liquidity risk

The table below presents analysis of the effect on the Company's income statement of a reasonably possible movement of the currency exchange rate against the GEL, with all other variables held constant. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. The base currency is assumed to be the GEL. All amounts are presented in GEL.

		2020	2019
Currency	**Change in exchange rate**	**Impact on profit**	**Impact on profit**
USD	-10%	25,230	(8,372)
	-5%	12,615	(4,186)
	5%	(12,615)	4,186
	10%	(25,230)	8,372

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments on time. Liquidity risk exists when the maturities of assets and liabilities do not match. The management controls these types of risks by means of maturity analysis, determining the Company's strategy for the next financial period. In order to manage liquidity risk, the Company performs regular monitoring of future expected cash flows, which is a part of assets/liabilities management process. The following table presents a maturity analysis for non-derivative financial assets and liabilities of the Company with the remaining contractual maturities. The presentation below is based upon the information provided internally to key management personnel of the Company.

16 Financial risks management *(continued)*

16.2 Liquidity risk *(continued)*

December 31, 2020	< 1 years	1 to 3 years	3 to 5 years	> 5 years	Total
Financial assets					
Cash and cash equivalents	233,751	-	-	-	**233,751**
Loans to cutomers	1,263,570	-	-	-	**1,263,570**
Other assets	478,096	-	-	-	**478,096**
Total assets	**1,975,417**	**-**	**-**	**-**	**1,975,417**
Financial liabilities					-
Loans and borrowings	1,068,121	-	-	-	**1,068,121**
Financial lease	20,839	71,970	57,041	124,338	**274,188**
Other liabilities	-	-	-	-	**-**
Total liabilities	**1,088,960**	**71,970**	**57,041**	**124,338**	**1,342,309**
Liquidity gap	**886,457**	**(71,970)**	**(57,041)**	**(124,338)**	**633,108**
Cummulative liquidity gap	**886,457**	**(71,970)**	**(57,041)**	**(124,338)**	

December 31, 2019	< 1 years	1 to 3 years	3 to 5 years	> 5 years	Total
Financial assets					
Cash and cash equivalents	275,874	-	-	-	**275,874**
Loans to cutomers	1,539,758	-	-	-	**1,539,758**
Other assets	232,045	-	-	-	**232,045**
Total assets	**2,047,677**	**-**	**-**	**-**	**2,047,677**
Financial liabilities					-
Loans and borrowings	1,208,639	-	-	-	**1,208,639**
Financial lease	35,766	-	-	-	**35,766**
Other liabilities	35,146	-	-	-	**35,146**
Total liabilities	**1,279,551**	**-**	**-**	**-**	**1,279,551**
Liquidity gap	**768,126**	**-**	**-**	**-**	**768,126**
Cummulative liquidity gap	**768,126**	**-**	**-**	**-**	

16.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents and loans. The Company's maximum exposure to credit risk at the reporting date was:

	31-Dec-20	31-Dec-19
Cash in bank	21,717	29,714
Loans to customers	1,263,570	1,539,758
Total	**1,285,287**	**1,569,472**

The Company's cash is placed with highly reliable financial institutions and the management is convinced there is no credit risk related to its cash and cash equivalent balances.

Loans to customers is actually the only item giving rise to the credit risk for the Company. The company has established non-formal credit policy and precedures, that is based on obtaining and investigation of detailed information about customers on Adjarian market, based on which the decision is made whether issue loan or not.

17 Financial assets and liabilities: fair values and accounting classifications

The estimates of fair value are intended to approximate 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. However given the uncertainties and the use of subjective judgment, the fair value (that is given in the previous sentence) should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

The estimated fair values of all financial instruments approximate their carrying values. The estimated fair values of all financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date. The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgment and estimation.

For the reporting date the company does not have any financial instrument, with fair value assessment methods, based on using visible non-market data.

17.1 Fair value hierarchy

The Company measures fair values using the following fair value hierarchy:

Level 1 quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 inputs other than quotes prices included within Level 1 that are observable either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

18 Capital management

Following table represents the analysis of compliance of the Company's statutory capital with the minimum capital requirements set by the National Bank of Georgia, as of December 31, 2020 and December 31, 2019:

	31-Dec-20	**31-Dec-19**
Owners capital	1,203,550	500,550
Capital increase	-	703,000
Total Equity	**1,203,550**	**1,203,550**

Minimum requirement of statutory capital based on the requirements of the National Bank of Georgia as of December 31, 2019 and 2020 was GEL 1,000,000.

19 Related parties

Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The details of the related party balances as at the reporting date and of transactions with them are provided in the next tables:

Balances with related parties as at 31-Dec-2020	**Receivables**	**Loans and borrowings**	**Interest payable**
Shareholders	457,242	-	-
Total	**457,242**	**-**	**-**

19 Related parties (conintued)

Transactions with related parties during the year 2020	**Dividends paid**	**Interest expense**	**Salary expense**
Shareholders	10,200	-	31,519
Key management personnel	-	-	11,839
Total	**10,200**	**-**	**43,358**

Balances with related parties as at 31-Dec-2019	**Receivables**	**Loans and borrowings**	**Interest payable**
Shareholders	208,934	-	-
Total	**208,934**	**-**	**-**

Transactions with related parties during the year 2019	**Dividends paid**	**Interest expense**	**Salary expense**
Shareholders	-	-	31,200
Key management personnel	-	-	11,520
Total	**-**	**-**	**42,720**

20 Contingencies

Legal proceedings

During the ordinary course of the business the Company can act as an independent party in litigation process. For the date of reporting there is no information known by management about new or paused lawsuits against the Company or any other disputes that may be transfered to the court, which may significantly affect the financial position of the company.

21 Going concern considerations

At the end of reporting period, management of the Company considers the Company'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 Company's functionality as going concern is not threatened and they don't have any plans for company liquidation or significant restriction of its activity.

22 Events after the reporting period

At the end of 2019, information was spread about COVID-19 (coronavirus) from China. By the end of the year, a limited number of cases of unknown virus infection were reported to the World Health Organization. In the first few months of 2020, the virus spread globally and its negative impact was not long in coming. Management believes that this spread will be a further unadjustable event in the balance sheet. As this is still a development at the time of the publication of these financial statements, it has not had a material impact on the Company's returns. The management of the company does not expect to have a significant impact due to the nature of its activities related to the existing needs. During a state of emergency, administrative staff and those in the high-risk category worked remotely. Work within the company has continued and all necessary measures and recommendations taken by the National Center for Disease Control and international health organizations have been taken into account. Management will continue to monitor the potential impact and take all necessary measures to prevent any impact.

There was no events after the reporting date which could cause any need for additional corrections to these financial statements.

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