MFO Express Capital + LLC

Financial Statements
For the Year Ended December 31, 2021

and

Independent Auditors` Report

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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, 2021 were approved by the Management and signed on its behalf:

Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

Date: June 14, 2022

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Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Date: June 14, 2022

EXPRESS CAPITAL + LTD
ES
445448150

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, 2021 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, 2021 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.

The balance sheet prepared by the company as of December 31, 2021 presents other assets worth GEL 612,041, most of which, GEL 592,945, are advances to the founder. The audit team was not satisfied that this requirement / operation did not constitute a capital reduction.

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.

Other Information That Is Not Financial Statements Nor Auditor's Opinion (Continued)

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.

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.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

- 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, 2022
Tbilisi, Georgia

MFO Express Capital + LLC
Statement of Financial position
For the year ended December 31, 2021
Amounts presented in GEL

	Note	31-Dec-21	31-Dec-20
Assets			
Cash and cash equivalents	**6**	324,363	233,751
Loans to customers	**7**	1,392,354	1,263,570
Property, plant and equipment	**8**	453,965	524,104
Intangible assets	**9**	70,485	77,381
Tax assets	**10**	15,076	46,304
Other assets	**11**	612,041	478,096
Total assets		**2,868,284**	**2,623,206**
Liabilities			
Borrowings	**12**	1,271,257	1,068,121
Finance lease	**8**	239,320	274,188
Deferred income tax liability		8,086	3,131
Total liabilities		**1,518,663**	**1,345,440**
Equity			
Share capital	**13**	1,203,550	1,203,550
Retained earnings		146,071	74,216
Total equity		**1,349,621**	**1,277,766**
Total liabilities and equity		**2,868,284**	**2,623,206**

Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

Date: June 14, 2022

MFO Express Capital + LLC
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Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Date: June 14, 2022

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

MFO Express Capital + LLC
Statement of Comprehensive income
For the year ended December 31, 2021
Amounts presented in GEL

	Note	2021	2020
Interest income	**14**	466,616	425,120
Interest expense	**12**	(147,064)	(126,888)
Net interest income		**319,552**	**298,232**
Income from fines	**15**	83,873	105,972
Gain/(loss) from currency trade operations		33,863	(869)
Net fee and commission income		22,219	10,474
Other income		8,792	16,749
Operating income		**468,299**	**430,558**
Operating and administrative expenses	**16**	(331,413)	(254,904)
Depreciation and amortization	**8; 9**	(70,137)	(58,560)
Income/(expense) from loan loss reserve	**7**	48,446	(41,238)
Gain/(loss) from PPE disposals		(2,138)	-
Other expenses		(12,423)	(3,428)
Profit before taxes		**100,634**	**72,428**
Income tax expense	**17**	(28,779)	(4,835)
Net profit/(loss) for the year		**71,855**	**67,593**
Other comprehensive income		-	-
Total comprehensive income/(expenses) for the year		**71,855**	**67,593**
		-	-

Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

Date: June 14, 2022

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Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Date: June 14, 2022

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

MFO Express Capital + LLC
Statement of Changes in equity
For the year ended December 31, 2021
Amounts presented in GEL

	Share capital	Retained earnings	Total equity
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**
Profit/(loss) for the period	-	71,855	71,855
Dividends	-	-	-
Balance as at 31-Dec-2021	**1,203,550**	**146,071**	**1,349,621**

Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Nino Jortmenadze
Chief Accountant

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Date: June 14, 2022

MFO Express Capital + LLC
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For the year ended December 31, 2021
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Jansugh Zeishvili
Executive Director

MFO Express Capital + LLC

Date: June 14, 2022

ESS CAPITAL + LTD
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445448150

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

MFO Express Capital + LLC
Statement of Cash flows
For the year ended December 31, 2021
Amounts presented in GEL

	Note	2021	2020
Cash flows from Operating activities			
Profit/(loss) for the period before taxes		100,634	72,428
Adjustments:		-	-
Depreciation and amortisation	**8, 9**	70,137	58,560
Changes in allowance for Expected Credit Loss	**7**	(48,446)	41,238
Interest expense	**8, 12**	147,064	126,888
Loss from PPE disposals		2,138	-
(Increase)/decrease in Loans issued		(80,338)	234,950
(Decrease)/increase in other current assets		(132,980)	(171,991)
(Decrease)/increase in Tax assets		31,228	-
(Decrease)/increase in other current liabilities		(15,295)	(35,146)
Cash outflow before interest expense and taxes		**74,142**	**326,927**
Payment of interest expense		(129,151)	(120,193)
Payment of income tax		(23,824)	-
Cash flows from Operating activities		**(78,833)**	**206,734**
Cash flows from Investing activities			
Acquisition of PPE	**8**	(6,806)	(43,331)
Cash inflow from PPE disposals		19,000	-
Acquisition of intangible assets	**9**	(8,398)	(6,528)
Cash flows from Investing activities		**3,796**	**(49,859)**
Cash flows from Financing activities			
Borrowings received		672,278	1,191,276
Borrowings repaid		(467,934)	(1,338,489)
Changes in finance lease		(38,695)	(41,585)
Dividends paid		-	(10,200)
Cash flows from Financing activities		**165,649**	**(198,998)**
Net increase in Cash and cash equivalents		**90,612**	**(42,123)**
Cash and cash equivalents at the beginning of the reporting period		**233,751**	**275,874**
Cash and cash equivalents at the end of the reporting period	**6**	**324,363**	**233,751**

Jansugh Zeishvili
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MFO Express Capital + LLC

Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

Date: June 14, 2022

MFO Express Capital + LLC
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Executive Director

MFO Express Capital + LLC

Date: June 14, 2022

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Nino Jortmenadze
Chief Accountant

MFO Express Capital + LLC

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-21	31-Dec-20
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.

Developing 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 55 as demonstrated by Transparency International's 2021 Global Corruption Barometer and ranks 45th out of 180 countries.

3 Basis of preparation

These financial statements have been prepared for the year ended 31 December 2021 in accordance with International Financial Reporting Standards (IFRS) issued by International accounting board, based on the principle of going concerne. 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 standards and amendments effective in the period on or after 1 January 2021

The following standards and amendments have become effective for the annual periods commencing on or after 1 January 2021.

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 - Interest Rate Benchmark Reform – Phase 2

- Amendments to IFRS 16 - Covid-19-Related Rent Concessions

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 Interest Rate Benchmark Reform – Phase 2

As a result of these amendments, among other matters, an entity:

- will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

- will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

These amendments is effective to annual periods beginning on or after 1 January 2021.

Amendments to IFRS 16 'Leases' Covid-19 Related Rent Concessions

Amendments to IFRS 16 'Leases' provide a practical expedient that permits lessees to account for the rent concessions, that occur as a direct consequence of the COVID - 19 pandemic and meets specified conditions, as if they were not lease modifications. The amendment is effective 1 June 2020.

Amendments to IFRS 16 'Leases' Covid-19 Related Rent Concessions beyond 30 June 2021

This amendment extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendment is effective 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at the date this Standard was issued.

Where an entity early adopts Covid-19-Related Rent Concessions then they shall disclose that fact (including the requirements in the paragraph above) and provide the additional disclosures in note.

4 Significant accounting policies (continued)

4.2 New standards and amendments issued but not yet effective for years ending 31 December 2021

- *Amendments to IFRS 16 - Covid-19-Related Rent Concessions;*
- *IFRS 17 - Insurance Contracts;*
- *Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;*
- *Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use;*
- *Amendments to IFRS 3 - Reference to the Conceptual Framework;*
- *Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract;*
- *Annual Improvements to IFRS Standards 2018–2020;*
- *Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture;*
- *Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies;*
- *Amendments to IAS 8 - Disclosure of Accounting Policies and Definition of Accounting Estimates;*
- *Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction.*

Amendments to IFRS 16 'Leases' Covid-19 Related Rent Concessions beyond 30 June 2021

This amendment extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendments are applicable for annual periods commencing on or after 1 April 2021

IFRS 17 'Insurance contracts' establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for annual periods commencing on or after 1 January 2023.

Amendments to IAS 1 'Presentation of financial statements' clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after 1 January 2023.

Amendments to IAS 16 'Property, plant and equipment' require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset. The amendments are applicable for annual periods commencing on or after 1 January 2022.

Amendments to IFRS 3 'Business combinations' update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are applicable for annual periods commencing on or after 1 January 2022.

Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. The amendments are applicable for annual periods commencing on or after 1 January 2022.

4 Significant accounting policies (continued)

4.2 New standards and amendments issued but not yet effective for years ending 31 December 2021 (continued)

Annual Improvements to IFRS Standards 2018–2020 amend:

- IFRS 1 to simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- IFRS 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- IFRS 16 illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements.
- IAS 41 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in other accounting standards.

The amendments are applicable for annual periods commencing on or after 1 January 2022.

Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments have been deferred until IASB has finalised its research project on the equity method.

Amendments to Disclosure of Accounting Policies and Definition of Accounting Estimates modify:

- IFRS 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- IAS 1, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- IAS 8, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- IAS 34, to identify material accounting policy information as a component of a complete set of financial statements; and
- IFRS Practice Statement 2 Making Materiality Judgements, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to Deferred tax related to assets and liabilities arising from a single transaction modify IAS 12 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions.

The Company's management does not expect that the introduction of new standards and notes will have a material impact on the Company's financial statements in the future.

4 Significant accounting policies (continued)

4.3 Cash and cash equivalents

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

4.4 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 costs directly related to the issuance of the loan. Loans are subsequently valued at amortized cost using the effective interest method.

Loans to customers are valued net of any allowance for impairment losses. allowance for impairment losses is made when there is objective evidence that the Company is unable 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.

4.5 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in supply of services, for rental, or for administrative purposes and are expected to be used during more than one period. 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	10 years

The useful lives, residual values and depreciation methods are reviewed annually to ensure 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 net carrying amount of the asset) is included in the income statement in the year the asset is derecognized/disposed.

4 Significant accounting policies (continued)

4.5 Property, plant and equipment (continued)

At each reporting date, the management assesses whether there is any indicator that property, plant and equipment may be impaired. If there is an indicatior 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 if no impairment loss had been recognised for the asset in prior years.

4.6 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.

4.7 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)

4.7 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.

4.8 Impairment of non financial assets

Non-financial assets, which in these financial statements of the Company include Property, plant and equipment and long term assets held for sale, are assessed at each reporting date if any indicators of

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

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

4.9 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 funds.

Initially the Company recognizes the right of use asset and the lease liability

The right of use asset
The right of use asset is initially recognised at cost. The initial cost of the right-of-use asset comprises The amount of the initial measurement of the lease liability, lease payments made at or before the commencement date, any initial direct costs, the estimated costs of removing or dismantling the underlying asset as per the conditions of the lease.

Depreciation of The right of use asset from the commencement of the lease until the end is accrued on a straight-line basis, which is recognized in statement of comprehensive income.

4 Significant accounting policies *(continued)*

4.9 Rent *(continued)*

Lease liability

The lease liability is initially measured at the present value of the lease payments that have not yet been paid. Lease payments are discounted. The discount rate should be the rate implicit in the lease. If this cannot be determined, then the entity should use its incremental borrowing rate.

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.

4.10 Other liabilities

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

4.11 Loans and borrowings

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

4.12 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.

4.13 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.

4.14 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 Significant accounting policies (continued)

4.15 Foreign currency translation

Transactions denominated in foreign currency are recorded at the exchange rate 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 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-21	31-Dec-20
USD	3.0976	3.2766
EUR	3.5040	4.0233

4.16 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.

4.17 Financial instruments

Initial recognition and measurement

The Company recognises a financial asset or a financial liability in the statement of financial position if only 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.

4 Significant accounting policies (continued)

4.17 Financial instruments (continued)

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

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.

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 7).

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

4 Significant accounting policies (continued)

4.17 Financial instruments (continued)

Subsequent measurement of financial liabilities

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

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

Other financial liabilities - All liabilities which have not been classified in the previous category fall into this category. These liabilities are recognized 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.

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.

In determining the term of the lease, the management of the company takes into account all the circumstances that create an incentive to use the extension option or not to use the termination option. Extension options (or periods after termination options) are included in the term of the lease only if there is a reasonable basis for extending the lease (or no grounds for termination). An assessment is reviewed if a significant changes are occurred in the circumstances affecting that assessment and which are under the control of the lessee.

If the lessee cannot readily determine the interest rate implicit in the lease, then the lessee uses its incremental borrowing rate. This is the rate that a lessee would have to pay at the commencement date of the lease for a loan of a similar term, and with similar security, to obtain an asset of similar value to the right-ofuse asset in a similar economic environment. Accordingly, a incremental borrowing rate requires an assessment to be made when empirical rates are not available to the Company or when they need to be adjusted to reflect the terms of the lease.

In general, the company assess a incremental borrowing rate based on empirical data (such as interest rates on its own borrowed loans and / or interest rates on commercial banks leasing-like loans).

5 Critical accounting judgments (continued)

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-21**	**31-Dec-20**
Cash in bank	185,381	21,717
Cash on hand	138,982	212,034
Total Cash and cash equivalents	**324,363**	**233,751**

Cash and cash equivalents by currencies	**31-Dec-21**	**31-Dec-20**
Georgian Lari	213,773	131,590
United States Dollar	105,249	95,941
Euro	5,098	5,150
Turkish Lira	94	852
Russian Ruble	149	218
Total Cash and cash equivalents	**324,363**	**233,751**

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. There ara short term and long term loans. Loans are collateralized with guarantee of nonfixed assets or real estate.

7.1 Gross loan portfolio by principal and accrued interest

Gross loan portfolio by principal and accrued interest	**31-Dec-21**	**31-Dec-20**
Principal	1,408,457	1,245,647
Interest	38,049	37,040
Gross loan portfolio	**1,446,506**	**1,282,687**
Less: Loan loss reserve	(54,152)	(19,117)
Net portfolio	**1,392,354**	**1,263,570**

7 Loans to customers (continued)

7.2 Loan loss reserve

The Company makes provisions on principal and interest. In 2021 and 2020 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	**2021**	**2020**
Balance at January 1	**19,117**	**143,129**
plius: Doubtful loans in the current period	237,939	530,122
minus: Recovered doubtful loans	(286,384)	(488,884)
Recovered / (Written-down) loans	83,480	(165,250)
Balance at December 31	**54,152**	**19,117**

At December 31, 2021

Overdue days	**Reserve rate**	**Loan principal**	**Reserve amount**
0-30	0%	1,402,970	38,681
31-60	30%	30,357	9,107
61-120	50%	12,728	6,364
> 120	100%	451	-
Total		**1,446,506**	**54,152**

For loans that are no longer overdue, but have already created a reserve due to overdue in the past (GEL 38,681), in accordance with the requirements of the National Bank of Georgia as of December 31, 2021, remain in reserve and are presented in the part of overdue 0-30 days.

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**

8 Property, plant and equipment

Historical cost	Buildings	Vehicles	Right-of-use asset*	Office furniture and other	Total
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**
Additions	-	-	-	6,806	**6,806**
Disposals	-	(26,700)	-	(1,771)	**(28,471)**
31-Dec-21	**211,500**	**27,600**	**264,999**	**97,530**	**601,629**
Accumulated depreciation					
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)**
Depreciation for the period	(12,650)	(2,760)	(26,500)	(12,933)	**(54,843)**
Depreciation write-off	-	5,563	-	806	**6,369**
31-Dec-21	**(30,533)**	**(20,290)**	**(37,542)**	**(59,299)**	**(147,664)**
Carrying amount					
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***
31-Dec-21	***180,967***	***7,310***	***227,457***	***38,231***	***453,965***

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 canceled 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 cost of the right of use asset and the depreciation expense at the end of the reporting period 2021 are GEL 264,999 and GEL 26,500 respectively (31-Dec-20: GEL 264,999 and GEL 11,042). The company's loan interest rate 2021: 6.98% USD (2020: 6% USD) is used to calculate the discount on rent payments. Lease liability and related interest expense at the end of the reporting period 2021 are GEL 239,320 and GEL 17,918 respectively (31-Dec-20: GEL 274,188 and GEL 7,772).

9 Intangible assets

Company's intangible asset is a financial accounting and loans software.

Historical cost	Software	Total
31-Dec-19	**129,543**	**129,543**
Additions	6,528	**6,528**
31-Dec-20	**136,071**	**136,071**
Additions	8,398	**8,398**
31-Dec-21	**144,469**	**144,469**
Accumulated Amortisation		
31-Dec-19	**(43,595)**	**(43,595)**
Depreciation for the period	(15,095)	**(15,095)**
31-Dec-20	**(58,690)**	**(58,690)**
Depreciation for the period	(15,294)	**(15,294)**
31-Dec-21	**(73,984)**	**(73,984)**
Net book value		
31-Dec-19	***85,948***	***85,948***
31-Dec-20	***77,381***	***77,381***
31-Dec-21	***70,485***	***70,485***

10 Tax assets

At December 31, 2021 the amount of tax assets is 15,076 GEL. At December 31, 2021 the amount of tax assets was 46,304 GEL.

11 Other assets

Other assets	31-Dec-21	31-Dec-20
Advances	606,120	467,975
Debitors	4,098	7,743
Other assets	1,823	2,378
Total other assets	**612,041**	**478,096**

12 Borrowings

Borrowings	31-Dec-21	31-Dec-20
Borrowings from natural persons in GEL	81,513	645,854
Borrowings from banks in GEL	600,000	341,990
Borrowings from natural persons in USD	589,744	80,277
Total borrowings	**1,271,257**	**1,068,121**

Duration of borrowings	31-Dec-21	31-Dec-20
Short-term borrowings	1,271,257	1,068,121
Total borrowings	**1,271,257**	**1,068,121**

Interest expense	2021	2020
Interest expense in GEL	143,248	122,644
Interest expense in USD	3,816	4,244
Total interest expense	**147,064**	**126,888**

12 Borrowings (continued)

Loans are taken from two banks. During the 2021 year, the Company received an additional 3 loans from JSC Bank of Georgia and JSC Halyk Bank Georgia. As at December 31, 2021, the balance of bank loans payable is: GEL 350,000 and GEL 250,000, respectively. (During 2020, 7 loans were additionally received from JSC Bank of Georgia and JSC Khalik Bank Georgia, repaying the previous year's loan liabilities. As of December 31, 2020, the balances of loans payable are to GEL 242,000 and GEL 99,990, respectively).

From individuals is received 7 loans in GEL and 6 loans in USD. On July 2, 2015 the Company received 10,000 GEL loan with 12% annual interest rate from Maia Devadze. From Lia Afakidze the Company received 2 loans, first on October 28, 2014 in amount of 4,378 GEL with 11% annual interest rate (from August of 2019) and second loan on July 30, 2019 in amount of 11,000 USD with 6% annual interest rate. 1 loan from Mariam Afakiadze was received on 2019 October 1, This was 1,000 USD loan with an interest rate of 6%. 1 loan from Nato Sarkhanadze was received in 2017 January 24 ,This was 10,000 GEL loan with an interest rate of 18%. From Xatuna Ardjevanidze was received 36,236 GEL loan in 2018 January 17, with interest rate of 11% (from July 2019) and in 2021 was received 1000 USD loan. From Lela Beridze was received 4500 GEL loan in 2019, 2000 GEL in 2020 and 1000 GEL during 2021, All loans had 11% interest rate. From Elene Xuxashvili was received 573,740 GEL in 2019 July 1, with an interest rate of 9.1%. In 2020, October 6, from Madona Kvirikadze, was received 5000 Gel loan, with an interest rate of 12%. In 2020, September 18, was received 8000 USD loan by Izabela Movsesiani, with an interest rate of 6%. In 2021 was received 31000 GEL loan by Iana Vardimanidze. In 20.09.2021 loan with an amount of 10000 USD, received from Leila Buzariashvili in 2019 was fully paid, loan had 8% interest rate.

13 Share capital

At December 31, 2021 and 2020 is equal to 1,203,550 GEL.

14 Interest income

Interest income is the interest earned on the loans issued by the Company, which amounted to GEL 466,616

15 Income from fines

Income from fines is the penalty income from loans issued by the Company, which amounted to GEL 83,873

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Operating and administrative expenses	**2021**	**2020**
Salary expense	226,869	175,074
Consultation expense	28,132	28,833
Service expense	14,795	16,397
Software expense	13,024	-
Transportation expense	7,886	6,596
Advertising expense	3,015	900
Bank service expense	597	3,927
Other general expense:	37,095	23,177
Total operating and administrative expenses	**331,413**	**254,904**

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Deferred and current income taxes	**31-Dec-21**	**31-Dec-20**
Property, plant and equipment	(35,206)	(36,773)
Intangibles	9,745	11,037
Lease liability	35,898	41,128
Net deferred income tax asset (liability)	**10,437**	**15,392**

17 Deferred and current income taxes (continued)

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

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	**2021**	**2020**
At the beginning of the year - asset (liability)	(3,131)	-
Movement for the year – benefit / (expense)	(4,955)	(3,131)
At the end of the year	**(8,086)**	**(3,131)**
Income tax expense for the year	**(23,824)**	**(1,704)**
Total Income tax (expense)/benefit for the year	**(28,779)**	**(4,835)**

18 Financial risks management

18.1 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 denominated 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.

As at December 31, 2021	**GEL**	**Other**	**USD**	**Total**
Financial assets				
Cash and cash equivalents	213,773	5,341	105,249	**324,363**
Loans to customers (Net)	1,392,354	-	-	**1,392,354**
Other assets	597,043	-	-	**597,043**
Total financial assets	**2,203,170**	**5,341**	**105,249**	**2,313,760**
Financial liabilities				
Loans and borrowings	681,513	-	589,744	**1,271,257**
Financial lease	-	-	239,320	**239,320**
Total financial liabilities	**681,513**	**-**	**829,064**	**1,510,577**
Net currency position	**1,521,657**	**5,341**	**(723,815)**	

18 Financial risks management (continued)

18.1 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**
Total financial liabilities	**987,844**	**-**	**354,465**	**1,342,309**
Net currency position	**885,412**	**6,220**	**(258,524)**	

18.2 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.

	2021	2020
Change in exchange rate	**Impact on profit**	**Impact on profit**
-10%	71,847	25,230
-5%	35,924	12,615
5%	(35,924)	(12,615)
10%	(71,847)	(25,230)

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.

December 31, 2021	< 1 years	1 to 3 years	3 to 5 years	> 5 years	Total
Financial assets					
Cash and cash equivalents	324,363	-	-	-	**324,363**
Loans to cutomers	1,247,555	142,820	1,979	-	**1,392,354**
Other assets	597,043	-	-		**597,043**
Total assets	**2,168,961**	**142,820**	**1,979**	**-**	**2,313,760**
Financial liabilities					
Loans and borrowings	1,271,257	-	-	-	**1,271,257**
Financial lease	21,405	73,854	90,975	53,086	**239,320**
Total liabilities	**1,292,662**	**73,854**	**90,975**	**53,086**	**1,510,577**
Liquidity gap	**876,299**	**68,966**	**(88,996)**	**(53,086)**	**803,183**
Cummulative liquidity gap	**876,299**	**68,966**	**(88,996)**	**(53,086)**	

18 Financial risks management (continued)

18.2 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**
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)**	

18.3 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-21	31-Dec-20
Cash in bank	185,381	21,717
Loans to customers	1,392,354	1,263,570
Total	**1,577,735**	**1,285,287**

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 procedures, 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.

19 Financial assets and liabilities: fair values and accounting classifications

The purpose of calculating fair value is to determine the value that, at the measurement date, can be derived from the sale of an asset or paid to settle a liability in the ordinary course of trade between market participants. Despite this attempt to reflect the fair value of such an amount (as explained in the previous sentence), Due to the usual uncertainties inherent in the operating environment and the presence of possible subjective factors in the valuations, we should not assume that fair value accurately reflects the amount that may be received in the event of an immediate sale of the asset or may be required to repay the liability immediately.

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 assumption.

19 Financial assets and liabilities: fair values and accounting classifications (continued)

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

19.1 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.

20 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, 2021 and December 31, 2020:

	31-Dec-21	**31-Dec-20**
Owners capital	1,203,550	1,203,550
Capital increase	-	-
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, 2020 and 2021 was GEL 1,000,000.

21 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-2021	**Receivables**
Shareholders	592,945
Total	**592,945**

21 Related parties (continued)

Transactions with related parties during the year 2021	**Salary expense**
Members of the Supervisory Board	77,335
Key management personnel	33,800
Total	**111,135**

Balances with related parties as at 31-Dec-2020	**Receivables**
Shareholders	457,242
Total	**457,242**

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

22 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.

23 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.

24 Events after the reporting period

From December 31, 2021 until the reporting date, the Company borrowed GEL 207,400. From the loans taken GEL 351,826 was paid, also accrued and paid interest expense was GEL 53,927.

On February 24, 2022, Russia launched a war in Ukraine, which led to the escalation of the Russia-Ukraine conflict that began in 2014. The war is still going on for the date of approval of the company's financial statements. The invasion was condemned internationally. Many countries have imposed new sanctions, which have had dire economic consequences for Russia and the world economy. The Company does not consider risks of the Russian-Ukrainian war above-mentioned as significant as the Company or its owners and the Company's major clients have no connection with either Russia or Ukraine.

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

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