TBC CAPITAL LLC

Financial Statements

Together with the Independent Auditor's Report

Year ended 31 December 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of TBC Capital LLC

Opinion

We have audited the financial statements of TBC Capital LLC (hereinafter – "the Company"), which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of 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 represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Davit Darsavelidze (# SARAS-A-735032)

For and on behalf of BDO LLC

Tbilisi, Georgia

30 March 2020

TBC CAPITAL LLC

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019

(In GEL)

	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	5	1,902,255	1,360,967
Fiduciary assets	6	846,458	3,292,576
Other assets	7	124,243	57,805
Prepaid taxes	8	3,320	-
Other investments	9	50,844	1,777,451
Investments in associates	9	2,068,214	-
Intangible assets	10	73,945	19,157
Right-of-use asset	11	212,872	-
Total assets		**5,282,151**	**6,507,956**
OWNER'S EQUITY AND LIABILITIES			
Owner's equity			
Statutory capital	12	2,688,295	2,688,295
Retained earnings		771,935	212,343
Total owner's equity		**3,460,230**	**2,900,638**
Liabilities			
Taxes payable	8	-	10,937
Fiduciary liabilities	6	846,458	3,292,576
Lease liabilities	11	221,059	-
Other payables	13	754,404	303,805
Total liabilities		**1,821,921**	**3,607,318**
Total owner's equity and liabilities		**5,282,151**	**6,507,956**

Financial Statements for the year ended 31 December 2019 were approved on behalf of management on 30 March 2020 by:

Managing Director,
Head of Investment Bank ________________ Meri Chachanidze

The notes on pages 9-27 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(In GEL)

	Note	2019	2018
Income from brokerage activities	14	3,036,467	2,257,158
Other income	15	42,382	53,268
Staff costs	16	(2,052,535)	(1,029,219)
Depreciation and amortisation		(40,803)	(2,763)
Other expenses	17	(460,309)	(595,265)
Operating profit		**525,202**	**683,179**
Finance income (expense), net		6,153	(3,239)
Foreign exchange gain (loss), net		84,161	(5,649)
Gain (loss) on revaluation of financial instruments at fair value through profit or loss	9	(13,350)	75,082
Share of loss of associates	9	(42,574)	-
Profit before income tax		**559,592**	**749,373**
Income tax expense		-	-
Total comprehensive income for the year		**559,592**	**749,373**

The notes on pages 9-27 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

(In GEL)

	Owner's Equity	Retained Earnings (Accumulated losses)	Total
31 December 2017	**2,688,295**	**(1,235,060)**	**1,453,235**
Change in accounting policy – IFRS 9 Financial Instruments	-	698,030	**698,030**
1 January 2018 (As Restated)	**2,688,295**	**(537,030)**	**2,151,265**
Total comprehensive income for the year	-	749,373	**749,373**
31 December 2018	**2,688,295**	**212,343**	**2,900,638**
Total comprehensive income for the year	-	559,592	**559,592**
31 December 2019	**2,688,295**	**771,935**	**3,460,230**

The notes on pages 9-27 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(In GEL)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	**559,592**	**749,373**
Adjustments to:		
(Gain) loss on revaluation of financial instruments at fair value through profit or loss	13,350	(75,082)
Share of loss of associates	42,574	-
Depreciation and amortisation	40,803	2,763
Finance income	(27,979)	(20,402)
Finance expense	21,826	23,641
Net (income) loss from exchange rate differences	(84,161)	5,649
Cash inflow from operating activities before changes in operating assets and liabilities	**566,005**	**685,942**
Movements in working capital		
Decrease (increase) in taxes payable	(14,257)	34,227
Increase in other assets	(58,236)	(48,733)
Increase in other payables	449,355	103,996
Cash inflow from operating activities before interest and taxation	**942,867**	**775,432**
Interest received	27,979	20,402
Interest paid	-	(23,637)
Net cash inflow from operating activities	**970,846**	**772,197**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangible assets	(58,025)	(14,196)
Purchase of share in investments in associates	(333,336)	-
Purchase of other investments	(64,195)	-
Net cash outflow from investing activities	**(455,556)**	**(14,196)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowed funds	-	4,107,818
Repayment of borrowed funds	-	(4,107,818)
Principal paid on lease liabilities	(29,379)	-
Interest paid on lease liabilities	(21,826)	-
Net cash outflow from financing activities	**(51,205)**	**-**
Net increase in cash and cash equivalents	**464,085**	**758,001**
Cash and cash equivalents at the beginning of the year	**1,360,967**	**562,218**
Effect of changes in foreign exchange rate on cash and cash equivalents	77,203	40,748
Cash and cash equivalents at the end of the year	**1,902,255**	**1,360,967**

The notes on pages 9-27 form an integral part of these financial statements.

1. General Information

TBC Capital LLC (further in the text - the Company) was founded in 1999. The Company's Statutory Capital is GEL2,688,295.

TBC Capital is TBC Bank's wholly-owned subsidiary and licensed brokerage firm. Since 2017 TBC Capital has become an integral part of TBC Bank's Corporate and Investment Banking franchise. Its main lines of business include corporate finance and credit rating advisory, debt and equity capital markets, brokerage and research. TBC Capital is also a shareholder of JSC Georgian Stock Exchange and plays an active role in the development of its infrastructure.

The Company is supervised by the National Bank of Georgia. It is required to fulfil the minimum capital amount which is GEL500,000. The Company fulfils the requirement. For additional information regarding requirements from the National Bank of Georgia please refer to Note 17.

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC Interpretations applicable to companies reporting under IFRS.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3. The summary of significant accounting policies are disclosed in Note 23.

b) Basis of measurement

These financial statements have been prepared under the historical cost bases, excluding Investments, which have been classified as "Financial Instruments at fair value through profit or loss" (refer to accounting policy of Financial Instruments).

The reporting period of the Company is the calendar year from 1 January to 31 December.

g) Going Concern

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. The management and owner have the intention to further develop the business of the Company in Georgia. The management believes that the going concern assumption is appropriate for the Company.

Adoption of new IFRS standards

a) New standards, interpretations and amendments effective from 1 January 2019

New standards or interpretations effective for the first time for periods beginning on or after 1 January 2019 that had a significant effect on the Company's financial statements are:

- IFRS 16 Leases

The standard did not have effect on the Company financial statements. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

b) ***New standards, interpretations and amendments not yet effective***

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these is are as follows, which are all effective for the period beginning 1 January 2020:

2. Basis of preparation (Continued)

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Company is currently assessing the possible impact of the new standard on its financial statements.

Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the financial statements.

3. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Taxation. Under normal activities, the Company carries out many operations and calculation for which the final taxation issues are clear. As a result, the Company recognizes tax liabilities estimated on the assumptions. Consequently, the Company considers that there may be some problematic areas in declarations that cannot be substantiated in the tax inspection. As a result, the Company tries to minimize the risks associated with it. According to various factors, including analysis of past experiences and interpretations of tax legislation, the Company believes that the accruals of its tax liabilities are adequate.

Other investments. The Company’s other investments are classified as “Financial instruments at fair value through profit or loss”.

The valuation was done by the Company for the period of 1 December 2019 and 31 December 2018. The Company has professional qualification and experience with the valuation of these type of assets. The valuation was carried out on the basis of Level 3 information in Hierarchy of fair value measurement.

The fair value of non-quoted equity instruments is determined using the revenue method. The revenue method is based on unobservable data that has a significant impact on the assessment object. These data include the assessment of future cash flows and the discount rate.

Furthermore, additional information is set out in the Note 9.

4. Financial Instruments – Risk management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk
- Currency risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Company, from which financial risk arises, are as follows:

	31 December 2019	31 December 2018
Cash and cash equivalents	1,902,255	1,360,967
Fiduciary assets	846,458	3,292,576
Other financial assets	67,937	1,790,699
Fiduciary liabilities	846,458	3,292,576
Other financial liabilities	721,208	298,846
Lease liability	221,059	-

General objectives, policies and processes

The key management have overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set polices that seek to reduce risks as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

In order not to significantly compensate the financial position of the Company, a variety of working methods are used to ensure that credit risks are identified and managed efficiently and on time.

The credit policy of the Company determines the necessary procedures to be taken to neutralize credit risk.

Market risk

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors.

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk).

4. Financial Instruments – Risk management (Continued)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to foreign currency exchange rate risk as at 31 December 2019 is presented in the table below:

	GEL	USD	GBP	EUR	Total
Financial assets					
Cash and cash equivalents	468,334	1,342,092	75,853	15,976	**1,902,255**
Fiduciary assets	18,660	803,941	21,876	1,981	**846,458**
Other financial assets	67,937	-	-	-	**67,937**
Total financial assets	**554,931**	**2,146,033**	**97,729**	**17,957**	**2,816,650**
Financial liabilities					
Fiduciary liabilities	18,660	803,941	21,876	1,981	**846,458**
Other payables	721,208	-		-	**721,208**
Lease liability	221,059				**221,059**
Total financial liabilities	**960,927**	**803,941**	**21,876**	**1,981**	**1,788,725**
Open balance sheet position	**(405,996)**	**1,342,092**	**75,853**	**15,976**	

The Company's exposure to foreign currency exchange rate risk as at 31 December 2018 is presented in the table below:

	GEL	USD	GBP	EUR	Total
Financial assets					
Cash and cash equivalents	639,418	705,391	77	16,081	1,360,967
Fiduciary assets	18,517	3,033,639	66,943	173,477	3,292,576
Other financial assets	1,790,699	-	-	-	1,790,699
Total financial assets	**2,448,634**	**3,739,030**	**67,020**	**189,558**	**6,444,242**
Financial liabilities					
Fiduciary liabilities	18,517	3,033,639	66,943	173,477	3,292,576
Other payables	298,846	-	-	-	298,846
Total financial liabilities	**317,363**	**3,033,639**	**66,943**	**173,477**	**3,591,422**
Open balance sheet position	**2,131,271**	**705,391**	**77**	**16,081**	

Currency risk sensitivity

The following table details the Company's sensitivity to a 20% increase and decrease in the USD against the GEL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency rates.

4. Financial Instruments – Risk management (Continued)

Impact on net profit and equity based on asset values as at 31 December 2019 and 2018:

2019	**USD impact**	
	GEL/USD + 20%	**GEL/USD - 20%**
Profit/(loss)	268,418	(268,418)

2018	**USD impact**	
	GEL/USD + 20%	**GEL/USD - 20%**
Profit/(loss)	141,078	(141,078)

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet loan repayments and other financial commitments associated with financial instruments as they actually fall due.

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.

As at 31 December 2019 and 2018 all the Company's financial assets and financial liabilities have maturities with less than one year.

Fair value measurement

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

The Company has accounted other investments at fair value.

Fair value of cash and cash equivalents as well as other investments are measured based on level 1. Fair values of all other financial assets and financial liabilities are measured on level 3.

5. Cash and cash equivalents

Cash and cash equivalents can be presented as follows:

	31 December 2019	31 December 2018
Cash on current accounts with banks in Georgian Lari	468,335	639,418
Cash on current accounts with banks in other currencies	1,242,475	485,709
Cash on brokerage accounts with banks in other currencies	191,445	235,840
	1,902,255	**1,360,967**

Additional information of cash and cash equivalents is disclosed in Note 4.

6. Fiduciary assets and liabilities

Fiduciary assets and liabilities can be presented as follows:

	31 December 2019	31 December 2018
Clients cash on current accounts with banks in Georgian Lari	18,660	18,517
Clients cash on current accounts with banks in other currencies	385,448	146,533
Clients cash on brokerage accounts with banks in other currencies	442,350	3,127,526
	846,458	**3,292,576**

Fiduciary assets and liabilities represent clients amounts placed by the Company in resident and non-resident banks for brokerage activities. For additional information about the currencies of these amounts please refer to Note 4.

The registered clients of the Company were 695 and 607 for 31 December 2019 and 2018, respectively. The transactions made by these clients amounted GEL1,645,243 and GEL1,368,797,081 for 2019 and 2018 years, respectively.

7. Other assets

Other assets can be presented as follows:

Financial receivables	31 December 2019	31 December 2018
Other receivables with clients	17,093	13,248
Non-financial receivables		
Advances paid for different services	107,150	44,557
	124,243	**57,805**

8. Prepaid taxes

According to the Georgian Tax Legislation, the Company should pay taxes on unified treasury code applicable for all taxes. As a result, the Company presents tax assets and liabilities on net basis. The Company has tax asset of GEL3,320 as at 31 December 2019 and had tax liability of GEL 10,937 as at 31 December 2018.

9. Investments

Investments can be presented as follows:

	2019	2018
1 January	**1,777,451**	1,004,339
Restated through opening retained earnings	-	698,030
Gain on revaluation of financial instruments at fair value through profit or loss	-	75,082
Increase in shares	333,336	-
Investor's share in investees' profit and loss**	(42,574)	-
31 December	**2,068,213**	**1,777,451**
Other short-term investments*	64,195	-
Loss on revaluation of financial instruments at fair value through profit or loss	(13,350)	-
Total Investments	**2,119,058**	**1,777,451**

*Other short-term investments include shares that the Company purchased for the purpose to resell them in the future at a profit.

** The Company purchased additional shares in JSC Tbilisi Stock Exchange at the beginning of December. As a result, from this point the Company has significant influence on Tbilisi Stock Exchange as well as to its related companies which are listed below.

Information about investments in associates can be presented as follows:

Name	Country of incorporation principal place of business	Proportion of ownership interest held as at 31 December 2019
JSC Georgian Stock Exchange	Georgia	17.33%
JSC Tbilisi Stock Exchange	Georgia	28.87%
JSC Kavkasreestri	Georgia	10.03%
JSC Georgian Central Securities Depository	Georgia	27.70%

9. Investments (Continued)

Principal business activities of the associates are the following:

Name	Principal activity
JSC Georgian Stock Exchange	Collects the proposals in regards of trading of securities and other financial instruments with established rules and processes. Spreads other information in connection with the deals and prices.
JSC Tbilisi Stock Exchange	Collects the proposals in regards of trading of securities and other financial instruments with established rules and processes. Spreads other information in connection with the deals and prices.
JSC Kavkasreestri	Offers clients (the issuers) various services both in the office as well as at client's premises. Provides securities registry formation, consolidation, registration of transactions related to public and non-public securities (issuance, sale, gifting, pledging, blocking, etc.)
JSC Georgian Central Securities Depository	Settlement of securities transactions and securities safekeeping-accounting in a digital form.

Financial information of the associates are as follows:

	JSC Georgian Stock Exchange	*JSC Tbilisi Stock Exchange*	*JSC Kavkasreestri*	*JSC Georgian Central Securities Depository*
As at 31 December 2019				
Current assets	322,317	897,369	111,185	694,075
Non-current assets	240,181	2,075,886	239,146	848,777
Current liabilities	142,068	82	30,846	3,562
Non-current liabilities	-	-	-	-
Net assets	**420,430**	**2,973,173**	**319,485**	**1,539,290**
Year ended 31 December 2019				
Revenues	405,315	104,018	162,745	181,349
Expenses	(487,613)	(255,498)	(164,537)	(431,238)
Profit/(Loss)	**(82,298)**	**(151,480)**	**(1,792)**	**(249,889)**

Investor's shares in investees' profit and loss includes period between 1 and 31 December 2019.

The major part of the investment was carried out on 24 December 2016. Before that date Company's contribution in JSC Georgian Stock Exchange was GEL7,998, which was equivalent of 4% shares of the Company.

On 24 December 2016 the Company made investment in JSC Georgian Stock Exchange with amount of GEL178,000. As a result, the Company's share became 17.33% in this Company. On the same date, the Company acquired common shares in JSC Tbilisi Stock Exchange with amount GEL818,342. After this investment the share in the Company became 21.59%. The Company does not have significant influence in any of the organizations and these investments have been classified as Financial instruments at fair value through profit or loss. The purpose for both investments is to facilitate stock exchange development in Georgia.

The classification of Company's investments before increase in share in December 2019 was "Financial instruments at fair value through profit or loss".

9. Investments (Continued)

The valuation was done by the Company for the date of 1 January 2018 and 31 December 2018 as well as 1 December 2019. The Company has professional qualification and experience with the valuation of these type of assets. The valuation was carried out on the bases of Level 3 information in Hierarchy of fair value measurement.

The fair value of non-quoted equity instruments is determined using the revenue method. The revenue method is based on unobservable data that has a significant impact on the assessment object. These data includes the assessment of future cash flows and the discount rate.

Important judgements used for fair value measurement

The estimations used while projecting the cash flows are as follows:

- Cash flow forecasts were defined based on the Company's operational results and future business model;
- According to the Company business model, for the next 9 years the securities market of Georgia is expected to grow on a year-on-year basis, which will include the Initial Public Offering of A and B class bonds as well as the sales of bonds on the market;
- Management presumes a significant expansion of the Georgian stock market activity after the forecasted period. Consequently, the rate of constant change of revenue and expenses is 5%.
- Capital expenditures include expenses that relate to the retention of assets, which were calculated on the basis of annual depreciation expense of the operating assets;
- The amount of weighted average cost of capital (Discount rate) was defined according to the average market rate of corporate loans and respective risk premium at the valuation period (The rate was defined from 15.5% till 15.9% as at 1 January 2018 and 31 December 2018, and 13.2% as at 1 December 2019).

10. Intangible assets

Intangible assets can be presented as follows:

Historical Cost	Website	Computer and operating Software	Total
31 December 2017	**12,093**	**6,399**	**18,492**
Additions	14,196	-	**14,196**
31 December 2018	**26,289**	**6,399**	**32,688**
Additions	-	58,025	**58,025**
31 December 2019	**26,289**	**64,424**	**90,713**
Accumulated Amortization			
31 December 2017	**(5,143)**	**(5,625)**	**(10,768)**
Charge for the year	(2,242)	(521)	**(2,763)**
31 December 2018	**(7,385)**	**(6,146)**	**(13,531)**
Charge for the year	(2,984)	(253)	**(3,237)**
31 December 2019	**(10,369)**	**(6,399)**	**(16,768)**
Net Book Value			
31 December 2018	**18,904**	**253**	**19,157**
31 December 2019	**15,920**	**58,025**	**73,945**

11. Leases

The Company leases office space in Tbilisi. Office rent is fixed over the lease term and is denominated in GEL. Maturity is one year with the renewal option. The Company assumes that it will use renewal option and determines the maturity of lease of five years.

Right of use asset can be presented as follows:

	Office	Total
At 1 January 2019	-	-
Addition	250,438	**250,438**
Amortization	(37,566)	**(37,566)**
At 31 December 2019	**212,872**	**212,872**

Lease liability can be presented as follows:

	Office	Total
At 1 January 2019	-	-
Addition	250,438	**250,438**
Interest expense	21,826	**21,826**
Lease payments	(51,205)	**(51,205)**
At 31 December 2019	**221,059**	**221,059**

Lease maturity as at 31 December 2019 can be presented as follows:

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Lease liability	10,119	32,271	47,875	130,794	-	**221,059**

12. Statutory capital

Statutory capital can be presented as follows:

	%	31 December 2019	%	31 December 2018
JSC TBC Bank	100%	2,688,295	100%	2,688,295
	100%	**2,688,295**	**100%**	**2,688,295**

13. Other payables

Other payables can be presented as follows:

	31 December 2019	31 December 2018
Compensations payable	716,456	296,142
Contract liabilities	28,236	-
Deferred revenue	4,960	2,704
Other liabilities with clients	4,752	4,959
	754,404	**303,805**

14. Income from brokerage activities

Income from brokerage activities can be presented as follows:

	2019	2018
Income from bond underwriting	1,912,680	1,911,360
Income from other brokerage activities	624,828	314,651
Income from securities trading	462,559	-
Other fees	36,400	31,147
	3,036,467	**2,257,158**

15. Other income

Other income includes revenue from research and consulting services for with the amount GEL42,382 and GEL53,268 for the 2019 and 2018 year, respectively.

16. Staff costs

Staff costs can be presented as follows:

	2019	2018
Wages	(1,231,834)	(655,765)
Bonuses	(820,701)	(373,454)
	(2,052,535)	**(1,029,219)**

17. Other expenses

Other expenses can be presented as follows:

	2019	2018
Consulting services related to brokerage activities	(121,426)	(256,835)
Commission expenses	(111,754)	(106,296)
Database service fees	(107,479)	(96,137)
Consulting fees	(50,115)	(58,275)
Training fees	(18,504)	(30,473)
Banking fees	(6,575)	(4,384)
Business travel expenses	(5,198)	(11,780)
Other expense	(39,258)	(31,085)
	(460,309)	**(595,265)**

18. Prior year reclassifications

Certain reclassifications has been made to the financial statements for the year ended 31 December 2018 to conform to the presentation for the year ended 31 December 2019.

Prior period classification	New classification	Amount
Direct expenses	Other expenses	479,018
Direct expenses	Staff costs	108,925
Administrative and other operating expenses	Other expenses	116,247
Administrative and other operating expenses	Depreciation and amortisation	2,763

19. Management of capital

The Company's objectives when maintaining capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- To provide an adequate return to owner by pricing services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

20. Commitments and contingencies

Litigation

From time to time during the course of Company’s usual activities, some complaints or court disputes may arise. However, as at 31 December 2019 and 2018, there was no material court dispute with the Company.

Tax legislation

Georgian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. As per currently effective tax legislation in Georgia fiscal periods remain open to review by the authorities in respect of taxes for 3 calendar years preceding the period of review.

Provisions for tax liabilities are recognised when the amount can be measured reliably. No provision is recognised for uncertain tax positions if no reliable estimate can be made. The Company’s management believes that Georgian tax legislation does not give raise to any further obligation other than already recorded and the Company’s tax positions will be sustained.

In accordance with the amendments made to the tax legislation of Georgia since 1 January 2017, the Company recognizes the obligation and expenditure of the tax deduction on the dividends, in the period when the dividends are declared, regardless of the period in which the dividends belong, or when the final distribution of dividends occurred.

The contingent income tax liability reflecting the maximum obligation that would arise if all of the retained earnings were distributed as dividends is not recognised in the statement of financial position. Maximum income tax payable upon the dividend distribution in the future would be GEL115,790 (2018: GEL31,581).

20. Commitments and contingencies (Continued)

Regulatory Requirements

The Company is supervised by the National Bank of Georgia. The Company's regulatory requirements are given in the order of the N145/04 on "Approval of the Rule of Licensing and Regulation of Brokerage Company" issued by the President of the National Bank.

In 2018, there were changes in the order of N145/04 which obliged brokerage companies to separate and reconcile customers and their own assets. The Company fully complies with the new changes for which it presents the letter of the auditor, together with the audited financial statements. This documentation states that the Company is in full compliance with the new changes amended to the Article 9 of the N145/04 order.

21. Transactions with related parties

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives then significant influence over the Company; and that have joint control over the Company;
b) Members of key management personnel of the Company or its parent;
c) Close members of the family of any individuals referred to in (a) or (b);
d) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Company and other related parties are disclosed below:

Balance sheet caption	Relationship	31 December 2019 Related party balances	31 December 2018 Related party balances
Fiduciary assets			
JSC TBC Bank	The parent	404,108	165,049
Cash and cash equivalents			
JSC TBC Bank	The parent	1,713,041	1,125,127
Fiduciary liabilities			
JSC TBC Bank	The parent	-	107,064
Other payables	Key management	410,530	230,000

The remuneration of directors and other members of key management were as follows:

	2019	2018
Key management personnel compensation:		
- Short term employee benefits	(1,104,416)	(500,217)

21. Transactions with related parties (Continued)

Transactions with related parties in the comprehensive income for the year ended 31 December 2019 and 2018 can be presented as follows:

Income statement caption	Relationship	2019 Related party transactions	2018 Related party transactions
Income from brokerage activities			
JSC TBC Bank	The parent	763,309	-
TBC Kredit LLC	Other related party	-	2,028
JSC TBC Leasing	Other related party	1,838	275,838
Other income			
JSC TBC Bank	The parent	42,382	-
Other expenses			
JSC TBC Bank	The parent	(31,365)	(7,434)
Finance income (expense), net			
JSC TBC Bank	The parent	6,153	(3,239)

22. Events after the reporting period

Significant development and spread of the coronavirus did not take place until January 2020. As at 31 December 2019, only certain events and associated actions had taken place. However, although cases were reported to the World Health Organisation on 31 December 2019, its announcement of coronavirus as a global health emergency was not made until 31 January 2020. On this basis, the effects of the coronavirus were generally a 'non-adjusting event' according IFRSs, and therefore forecasts, projections and associated assumptions used in preparing financial statements as at 31 December 2019 would reflect no change as a result of the coronavirus outbreak.

The World Health Organization has declared the rapidly spreading coronavirus outbreak a pandemic- the virus will likely spread to all countries on the globe. The effects of the coronavirus may be very wide spread and relate to many industries. Coronavirus may affect entities in nearly every sector, due to the following impacts:

- Reduced consumer demand for goods and services due to lost income and/or restrictions on consumers' ability to move freely;
- Lack of investment in capital improvements and construction reducing demand for many goods and services;
- Reduction in market prices for commodities and financial assets, including equity and debt instruments; and
- Disruption of global supplies chains due to restrictions placed on the movement of people and goods.

23. Summary of significant accounting policies

Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The Company's functional and presentation currency is the national currency of Georgia, Lari.

Monetary assets and liabilities are translated into functional currency at the official exchange rate for the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities at year-end official exchange rates are recognized in profit or loss.

Translation at year-end rates does not apply to non-monetary items.

The difference between cash and cash equivalents and other monetary instruments is reflected in the statement of profit or loss "Foreign exchange gain/(loss)".

At 31 December 2019 and 2018 the closing exchange rates used for translating foreign currency balances to Georgian Lari were:

	Official rate of the National Bank of Georgia		
	USD	*EUR*	*GBP*
Exchange rate as at 31 December 2018	2.8677	3.2095	3.7593
Exchange rate as at 31 December 2018	2.6766	3.0701	3.3955

Revenue from contracts with customers

The Company recognises revenue when the promised good or service is transferred to the customer, with the amount which an entity expects to be entitled in exchange for transferring the promised good or service. The Company uses the 5-step model of revenue from contracts with customers:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer, which is when the customer obtains control of that good or service.

Performance obligations and timing of revenue recognition

The Company's main part of the revenue comes from commissions from the bond emission as well as the trade of bonds which is ordered by the customers. Further information is set out below:

Revenue from the issuance or sale of bond

The Company offers its clients services related to the issuance, purchase, distribution or supply of the bonds. The service has two performance obligations: issuance of bond and agent service:

The revenue from the issuance of a bond is recognized at a point in time when the bond is transferred to the buyer.

The agent services include services related to the issuance, purchase, distribution or supply of the bonds. The service is rendered regularly until the maturity of the bond. Commission from service is recognized over in time proportional to the maturity of the bond with the amount stated in the contract.

23. Summary of significant accounting policies (Continued)

Revenue from other brokerage activities

The Company offers its customers the service of trading with the securities on international securities markets. The services are rendered dependent on the demand of the customer (when they need to sell or buy the security, transfer the money etc.) at a point in time. Revenue from these kinds of services are recognised on the day of the transaction.

Determine the transaction price

Company's revenue from the bonds includes the commission from the issuance as agreed in the contract. The revenue is calculated from each individual bond issuance. The accompanying agent service annual fee is fixed for all clients.

Trade commission on the securities platform differs by the type of financial instrument and market itself, commissions are fixed and identical for all the client.

Allocate the transaction price to the performance obligations in the contract

Company's contracts have fixed price. For all the performance obligation the corresponding commission is mentioned in the contract.

Used Exemption

The Company used following exemption in IFRS 9: Additional expenses for concluding the contract is recognized when the contract is rendered if the amortization period of the asset does not exceed one year.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, non-restricted cash on current accounts in resident and non-resident banks, amounts placed on brokerage accounts and non-restricted cash on bank deposits with original maturity of less than three months.

Income tax

The Company recognises income tax expense for the period when the dividends are declared. Owing to the specific nature of the taxation system in Georgia, there are no differences between the carrying amounts and tax bases of the assets and liabilities of companies registered in Georgia that could result in deferred tax assets or deferred tax liabilities.

Taxes other than income tax

Taxes other than income tax are recognized during the reporting period in which the obligatory event arises. The obligatory event is an action or fact that raises a liability to pay a tax. Taxes are calculated in accordance with Georgian legislation. Prepaid taxes from which it is expected to receive economic benefits in the future are recognized as an asset.

Financial Instruments

Initial recognition of financial instruments

Financial assets and financial liabilities are recognised in the Company's financial position when the Company becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

23. Summary of significant accounting policies (Continued)

Financial assets

Classification and subsequent measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flow; and
- 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.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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 financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

The Company estimated which business model was relevant for their financial assets. All the financial assets, other than Investments, were classified as at “Financial asset measured at amortised cost”. Other investments were classified as “Financial instruments at fair value through profit or loss.”

Reclassification

Financial assets are not reclassified after their initial recognition, except the cases when the Company’s business model is changed. If the business model, under which the Company has the financial assets, is changed, then the appropriate financial assets are reclassified. The requirements for the classification and valuation of financial assets for new categories are used prospectively beginning from the first day of next accounting period.

Financial liabilities

Due to the objective, the Company classifies its financial liabilities by one of the following categories: “Financial liabilities at fair value through profit or loss” and “Other financial liabilities”. The Company has classified all the financial liabilities as “Other financial liabilities”. Other financial liabilities include loans, trade payables, other long-term and short-term monetary liabilities.

Other financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to their release. The liabilities of such interest are subsequently recorded at amortized cost using the effective interest rate method which ensures accrual of interest on the carrying amount of the financial liability at constant rate. Interest expenses for any financial liability include the initial transaction costs and any additional charges for the redemption of the obligation.

Offsetting

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

23. Summary of significant accounting policies (Continued)

Intangible assets

The Company's intangible assets include website and accounting and operating software (Useful lives – 5-7 years). Intangible assets are initially recognized at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over expected useful life.

Investment in associates

Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Other post-acquisition changes in Company's share of net assets of an associate are recognised as follows: (i) the Company's share of profits or losses of associates is recorded in the statement of comprehensive income as share of result of associates, (ii) the Company's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Company's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. Dividends received from associates reduce the carrying value of the investment in associates.

However, when the Company's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

Recognition of expenses

Expenses are recognized in the income statement if there arises any decrease of future economic profit related to the decrease of an asset or increase of a liability that can be reliably assessed.

Expenses are recognized in the income statement immediately, if the expenses do not result in future economic profit any more, or if future economic profit do not meet or stop to meet the requirements of recognition as an asset in the balance sheet.

Salaries and other employee benefits

Wages, salaries, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

23. Summary of significant accounting policies (Continued)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the updated discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Provisions, contingent liabilities and contingent assets

Contingent liabilities are not reflected in the financial statements, except for the cases when the outflow of economic benefits is likely to origin and the amount of such liabilities can be reliably measured. The information on contingent liabilities is disclosed in the notes to the financial statements with the exception of cases, when the outflow of economic benefits is unlikely.

Contingent assets are not reflected in the financial statements, but the information on them is disclosed when inflow of economic benefits is possible. If economic benefits are sure to occur, an asset and related income are recognized in the financial statements for the year, when the evaluation change occurred.

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. An obligating event is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.

A legal obligation is an obligation that derives from:

- A contract (through its explicit or implicit terms);
- Legislation; or
- Other legal actions.

A constructive obligation is an obligation that derives from an entity's actions where:

- By an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
- As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Events after the reporting period

Events after the reporting period are events before the date of financial statements authorization for issue that provide additional information about the Company's financial statements are reported in the financial statements. Events after the reporting period that do not affect the financial position of the Company at the balance sheet date are disclosed in the Notes to the financial statements when material.