GEORGIAN STOCK EXCHANGE JSC

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDIVIDUAL AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Georgian Stock Exchange JSC (hereinafter - the Group) at 31 December 2016 and the results of its consolidated operations, consolidated cash flows, and consolidated changes in equity for the period then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The Consolidated financial statements for the year ended 31 December 2016 were approved on behalf of the management on 27 March 2017 by:

Giorgi Paresishvili	General Director	____________________
Khatuna gvilava	Chief accountant	____________________

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Georgian Stock Exchange JSC

Opinion

We have audited the accompanying consolidated financial statements of Georgian Stock Exchange JSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter - consolidated financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

27 MARCH 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPHREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Note	GEL	GEL
Commission and membership fees		241,552	222,266
Income from securities registrar services		211,019	48,624
Other operating income		4,629	2,582
Total operating income		**457,200**	**273,472**
Salary and benefits		(365,829)	(316,148)
Rent and utilities		(104,916)	(104,471)
Consultation expenses		(82,201)	(57,458)
Other operating expenses		(75,805)	(70,165)
Depreciation and amortisation	5,6	(22,705)	(15,845)
Communication expenses		(12,597)	(13,947)
Gains from an associate becoming a subsidiary	3	-	95,570
Finance income	7,11	90,713	30,887
Net income from sponsors	15	26,200	-
Net forex gain/(loss)		(25,283)	141,652
Other income/(expenses)		(3,251)	18,824
Profit/(loss) before tax		**(118,474)**	**(17,629)**
Income tax expense	4	(64,244)	40,761
Profit for the year		**(182,718)**	**23,132**
Other comprehensive income		-	-
Total other comprehensive income/(loss) for the year		**(182,718)**	**23,132**

attributable:			
To parent		(189,457)	4,852
Non-controlling interest		6,739	18,280
		(182,718)	**23,132**
Earnings/(Loss) Per Share		GEL	GEL
Basic and diluted		**(0.063)**	**0.002**

Giorgi Paresishvili General Director ______________________

Khatuna Gvilava Chief accountant ______________________

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 GEL	2015 GEL
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	67,200	75,773
Intangible assets	6	14,236	3,868
Held to maturity financial assets	7	-	164,505
Available for sale financial assets	8	54,085	61,224
Deferred tax asset	9	-	44,900
Total non-current assets		**135,521**	**350,270**
CURRENT ASSETS			
Held to maturity financial assets	7	181,677	121,681
Tax assets		35,334	24,407
Other financial assets, trade receivables	10	59,696	71,959
Cash and cash equivalents	11	3,493,742	1,060,706
Total current assets		**3,770,449**	**1,278,753**
TOTAL ASSETS		**3,905,970**	**1,629,023**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	30,000	30,000
Share premium	12	925,054	117,452
Retained earnings		857,731	1,187,547
		1,812,785	**1,334,999**
NON-CONTROLLING INTERESTS		**1,973,944**	**243,572**
TOTAL EQUITY		**3,786,729**	**1,578,571**
NON-CURRENT LIABILITIES			
Deferred tax liability	9	-	2,026
Total non-current liabilities		**-**	**2,026**
CURRENT LIABILITIES			
Trade and other payables	13	119,241	48,426
Total current liabilities		**119,241**	**48,426**
TOTAL LIABILITIES		**119,241**	**50,452**
TOTAL EQUITY AND LIABILITIES		**3,905,970**	**1,629,023**

Giorgi Paresishvili General Director ______________________

Khatuna Gvilava Chief accountant ______________________

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Share capital	Share premium	Retained earnings	Attributable to parent	Non-controlling interest	Total equity
		GEL	GEL	GEL	GEL	GEL	GEL
At 31 December 2014		**30,000**	**117,580**	**1,181,141**	**1,328,721**	**4,673**	**1,333,394**
Total comprehensive income for the year		-	-	4,852	4,852	18,280	23,132
Prior year error correction		-	(128)	1,554	1,426	(88)	1,338
Non-controlling interest adjustment due to an associate becoming a subsidiary	3	-	-	-	-	220,707	220,707
At 31 December 2015		**30,000**	**117,452**	**1,187,547**	**1,334,999**	**243,572**	**1,578,571**
Total comprehensive income for the year		-		(189,448)	(189,448)	6,730	(182,718)
Share premium increase		-	807,602	-	807,602	-	807,602
Other Gain/(Loss)	14	-	-	(140,368)	(140,368)	-	(140,368)
Increase of non-controlling interest		-	-	-	-	1,723,642	1,723,642
At 31 December 2016		**30,000**	**925,054**	**857,731**	**1,812,785**	**1,973,944**	**3,786,729**

Giorgi Paresishvili General Director ______________________

Khatuna Gvilava Chief accountant ______________________

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Note	GEL	GEL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		499,778	374,521
Payments to suppliers and employees		(618,149)	(566,391)
Cash flow generated from operations		**(118,371)**	**(191,870)**
Income taxes paid		(31,605)	(13,716)
Interest received		151,648	30,887
Net cash generated by operating activities		**1,672**	**(174,699)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Adjustment due to an associate becoming a subsidiary (consolidation of cash balances)	3	-	835,972
Investment in subsidiary	3	(711)	-
Redemption of bonds	7	104,509	-
Redemption of Certificates of Deposit		-	60,000
Purchase of property, plant and equipment and intangible assets	5,6	(24,850)	(55,748)
Net cash used in investing activities		**78,948**	**840,224**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to non-controlling interest in subsidiary		(77,755)	(281,382)
Dividends received from available for sale financial assets	8	429	911
Proceeds from issue of shares in subsidiary	3	2,455,025	-
Net cash generated by (used in) financing activities		**2,377,699**	**(280,471)**
CASH AND CASH EQUIVALENTS			
At 1 January		**1,060,706**	**555,420**
Net increase for the year		2,458,319	385,054
Effect of exchange rate changes on cash and cash equivalents held		(25,283)	120,232
At 31 December		**3,493,742**	**1,060,706**

Giorgi Paresishvili General Director ______________________

Khatuna Gvilava Chief accountant ______________________

NOTES

NOTES

1 GENERAL INFORMATION

Georgian Stock Exchange JSC (hereinafter - the Company) was founded on January 12, 1999 according to the legislation of Georgia.

The main activity of the Company and its subsidiary companies (Group, see Note 3) are: collecting proposals on buying and selling of securities and other financial instruments, public trade organization in accordance with the established rules and procedures, transactions and other price-related information dissemination; settlement of the engagements with securities at stock exchange, as well as holding and accounting thereof in non-material form; proceeding of securities registers.

The Company's main shareholders are: TBC Capital LLC (17.33%), GCF Holdings Georgia LLC (15.33%) and Galt & Taggart JSC (15.33%). The above-mentioned shareholders also are the shareholders of 64.78% of Tbilisi Stock Exchange JSC (See Note 3) which the Group recognizes as a non-controlling share for consolidation purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2016.

The consolidated financial statements comprise a consolidated statement of profit or loss and the statement of other comprehensive income, a consolidated statement of financial position, a consolidated statement of changes in equity, a consolidated statement of cash flows, and notes.

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

Measurement bases

The consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (eg. certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Application of new and amended standards

For the preparation of these consolidated financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 January 2016:

- Amendments to IAS 1 titled *Disclosure Initiative* (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments had no material effect on the Group's consolidated financial statements.

- Amendments to IAS 16 and IAS 38 titled *Clarification of Acceptable Methods of Depreciation and Amortisation* (issued in May 2014) – The amendments, prospectively effective for annual periods beginning on or after 1 January 2016, add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. The amendments had no effect on the Group's consolidated financial statements.

- Amendments to IAS 16 and IAS 41 titled *Agriculture: Bearer Plants* (issued in June 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, define bearer plants – i.e. living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives - and include them within IAS 16's scope while the produce growing on bearer plants remains within the scope of IAS 41. As the Group does not undertake agricultural activity, this amendment had no effect on the Group's consolidated financial statements.

- Amendment to IAS 19 (*Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, clarifies that, in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bonds in the relevant currency should be used. This amendment had no effect on the Group's consolidated financial statements.

- Amendments to IAS 27 titled *Equity Method in Separate Financial Statements* (issued in August 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment has no effect on consolidated financial statements.

- Amendment to IFRS 5 (*Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014) - The amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. This amendment had no effect on the Group's consolidated financial statements.

- Amendment to IFRS 7 (*Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. The amendment had no effect on the Group's consolidated financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28 titled *Investment Entities: Applying the Consolidation Exception* (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendments had no effect on the Group's consolidated financial statements.

- Amendments to IFRS 11 titled *Accounting for Acquisitions of Interests in Joint Operations* (issued in May 2014) – The amendments, applicable prospectively to annual periods beginning on or after 1 January 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). This amendment had no effect on the Group's consolidated financial statements.

New and amended standards in issue but not yet effective

The Group has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2016

The Directors anticipate that the new standards and amendments will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where practicable, the potential effect of all these new standards and amendments that will be effective in future periods.[1]

- Amendments to IAS 7 titled *Disclosure Initiative* (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, require entities to provide information that enable users of financial statements to evaluate changes in liabilities arising from their financing activities. This is not expected to have a material effect on the Group's consolidated financial statements.

- Amendments to IAS 12 titled *Recognition of Deferred Tax Assets for Unrealised Losses* (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, clarify the accounting for deferred tax assets related to unrealised losses on debt instruments measured at fair value, to address diversity in practice. This is not expected to have an effect on the Group's consolidated financial statements.

- Amendments to IFRS 2 titled *Classification and Measurement of Share-based Payment Transactions* (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Group's consolidated financial statements.

- Amendments to IFRS 4 titled *Applying IFRS 9* Financial Instruments *with IFRS 4* Insurance Contracts (issued in September 2016) - The amendments give all entities that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before implementing the replacement insurance contracts Standard for IFRS 4 that is under drafting by the Board. Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption from applying IFRS 9 (until 2021), thus continuing to apply IAS 39 instead. As the Group has not issued insurance contracts, the amendments are not expected to have an effect on its consolidated financial statements.

- IFRS 9 *Financial Instruments* (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
    - IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
    - For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
    - For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
    - For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
    - The derecognition provisions are carried over almost unchanged from IAS 39.

  The Directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- Amendments to IFRS 10 and IAS 28 titled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014) – The amendments address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after 1 January 2016, is now deferred indefinitely but earlier application is still permitted. This is not expected to have an effect on the Group's consolidated financial statements.

- IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014 and amended for clarifications in April 2016) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Directors anticipate that IFRS 15 will be adopted in the Group's consolidated financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Groups' revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- IFRS 16 *Leases* (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 and its interpretations. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The Directors anticipate that IFRS 16 will be adopted in the Group's consolidated financial statements when it becomes mandatory and that the application of the new standard will have a significant effect on amounts reported in respect of the Group's leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

(B) INCOME AND EXPENSE RECOGNITION

Interest income and expense are recorded for all debt instruments on an accrual basis.

The Group recognises revenue/income when it is probable that future economic benefits will flow into the Group and is measured reliabley; it is relibile to mesuare the stage of completion at the end of the reporting date and is visable to measure the costs of complete transaction. The income is measured at fair value received or receivable from sale of goods or services.

(C) BASIS FOR CONSOLIDATION

A subsidiary is an entity controlled by the Group, i.e. the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity's relevant activities (power over the investee).

The existence and effect of potential voting rights that the Group has the practical ability to exercise (i.e. substantive rights) are considered when assessing whether the Group controls another entity.

The Group's financial statements incorporate the results, cash flows, assets and liabilities of Georgian Stock Exchange JSC and all of its directly and indirectly controlled subsidiaries. Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group obtains control of the acquired business, until that control ceases. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Acquisition method is used for accounting the purchase of subsidiary. Purchased assets and liabilities are, firstly, accounted with their fair value as of the purchase date. If the consideration paid is greater than the carrying value of the acquired company's identified net assets, the goodwill is recognised. If the consideration paid are less than the acquired company's net assets, than the difference is directly recognised in the consolidated statement of comprehensive income.

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

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

Associates

Associates are entities over which the Group has significant influence, which is the power to participate in their financial and operating policy decisions, but which is not control or joint control. Associates are accounted for using the equity method of accounting.

(D) PROPERTY, PLANT AND EQUIPMENT

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Office equipment	20% straight line
Leasehold improvements	20% straight line

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(E) INTANGIBLE ASSETS

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

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

For intangible assets with finite useful lives, amortisation is calculated so as to write off the cost of the asset, less its estimated residual value, over its 5 year useful economic life (straight line method).

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

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

(F) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of the asset / unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / unit whose impairment is being measured.

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

(G) FINANCIAL INSTRUMENTS

Initial recognition and measurement
The Group recognises a financial asset or a financial liability in the consolidated statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Group 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.

Subsequent measurement of financial assets
Subsequent measurement of financial assets depends on their classification on initial recognition. The Group classifies financial assets in one of the following four categories:

Loans and Receivables Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that the Group intends to sell immediately or in the near term cannot be classified in this category. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or collectability.

Held-to-maturity financial assets these are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition the Group designates as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables cannot be classified in this category. Similar to loans and receivables, these assets are carried at amortised cost using the effective interest method minus any reduction for impairment or collectability.

Available-for-sale (AFS) financial assets these are non-derivative financial assets that are designated as available for sale on initial recognition or are not classified in one of the previous categories. They are carried at their fair value. However, unquoted equity instruments are carried at cost, where it is not possible to reliably measure their fair value.

Except for foreign exchange gains and losses on debt instruments, interest income and dividends that are recognised in profit or loss, changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in the revaluation reserve, until the investment is disposed of or is determined to be impaired. At that time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Impairment of financial assets
At the end of each reporting period, the Group assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

For AFS equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised 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 amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of AFS equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

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 IAS 39. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership

- Evaluation of the transfer of control

Subsequent measurement of financial liabilities
Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Group during the reporting period did not reclassify financial liabilities in *fair value through profit or loss (FVTPL).*

All other liabilities are carried at amortised cost using the effective interest method.

Derecognition of financial liabilities
A financial liability is removed from the Group'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.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, on demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

(H) FOREIGN CURRENCY TRANSACTIONS

The Group's functional currency is Georgian Lari ('GEL'). Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the Group using the exchange rates at the reporting date.

	National Bank of Georgia official exchange rates	
	USD	EUR
Exchange rate as at 31 December 2016	2.6468	2.7940
Exchange rate as at 31 December 2015	2.3949	2.6169
Average rate for the year ended 31 December 2016	2.3667	2.6172
Average rate for the year ended 31 December 2015	2.2702	2.5204

Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

(I) INCOME TAX

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognized in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only to the extent that the Group considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilized within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same Tax Authority and the Group's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except if it arises from transactions or events that are recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or directly in equity, respectively.

(J) PROVISIONS

Where, at the reporting date, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

(K) EQUITY

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognized at the amount of proceeds received net of costs directly attributable to the transaction. To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account.

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

Dividend distribution

Dividends are recognised as liabilities when they are declared (ie the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders' Annual General Meeting. Interim dividends are recognised when paid.

The group paid dividends to subsidiaries non-controlling interest recognizes in the consolidated cash flow statement. The non-controlling interest in the statement of the consolidated financial position and consolidated statement changes in equity is shown at the net value (reduced with paid dividends to subsidiaries non-controlling interest).

Treasury shares

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

3 INVESTMENTS IN SUBSIDIARIES

The Group contains following subsidiaries which are consolidated in this consolidated financial statement:

	2016		2015	
	Ownership	GEL	Ownership	GEL
Georgian Central Securities Depository JSC				
Direct ownership	24.65%	100,000	98.81%	100,000
Indirect ownership	26.44%	-	-	
Tbilisi Stock Exchange JSC				
Direct ownership	35.22%	100,000	100%	100,000
Kavkasreesrti JSC				
Direct ownership	57.86%	9,134	57.69%	8,423
TOTAL		**209,134**		**208,423**

Tbilisi Stock Exchange JSC (TSE) was founded on May 7, 2015 by Georgian stock exchange JSC (the Company). The purpose of founding was to obtain funds for business development through the sales of the shares of TSE (According to the Charter, the Company can not increase its joint stock, without the consent of 75% of the shareholders). The Company's minority shareholders, who own 38% of the Company's shares, have appealed to the court on the decision of establishing TSE. The management of the Company deems that TSE is established in accordance with the acting legislation and in full compliance with the charter.

In December 2016, TSE released 183,897 ordinary shares which were purchased by Galt & Taggart JSC, TBC Capital LLC and LLC GCF Holdings Georgia, the compensation received amounted to 2,455,025 GEL, after which the shares were distributed as follows:

Georgian Stock Exchange JSC	35.22%
Galt and Taggart" JSC	21.59%
TBC Capital LLC	21.59%
LLC GCF Holdings Georgia.	21.59%

Even though the Company has reduced its shares in TSE to 35.22%, it still maintains the control over it and reflects its results in its consolidated financial statements. The control is maintained by the following facts:

- The TSE supervisory board members are also the supervisory board members of the Company.
- The remaining shareholders of the TSE are also the shareholders of the Company directly or through the relatedparties (the general ultimate beneficial of the owner). These shareholders jointly own 64.78% of TSE and 52% of the Company.
- The Company and TSE have the same General Director.

On December 23, 2016, TSE purchased 304,499 ordinary shares of Georgian Central Securities Depository JSC. With this investment TSE became the shareholder of 75.06% shares of the Georgian Central Securities Depository JSC. As the result of the above deals, as at December 31, 2016, JSC Georgian Stock Exchange controls 51.09% of the Georgian Central Securities Depository JSC (indirect 26.44% through TSE) and reflects it in the Group's Consolidated Financial Statements.

The transactions carried out on December 23 for the purpose of the Consolidated Financial Statements are the intragroup transaction, therefore, the revenue generated by the mentioned transaction will be eliminated in the consolidated financial statements; Only the distribution of shares between the controlling and non-controlling interest are changed, after which the non-controlling shares increased in the Group. The gain/(loss) after changes in share portions of non-controlling interest is shown in the Note 14.

Before October 1, 2015, Kavkasreestri JSC was an associate company as the Company had a significant influence on Kavkasreestri JSC and not the control. Since October 1, 2015, the Company has gained the control over Kavkasreestri JSC. Kavkasreestri JSC basically owns high liquid assets (cash and cash equivalents and other financial assets) and the carrying value of its net assets was the same as its fair value on October 1, 2015. Before this date, the Company's investment in

Kavkasreestri JSC as in the associate company was accounted through the equity method. On October 1, 2015 the value of the investment recorded by the equity method did not differ from the net assets of Kavkasreestri JSC.

4 INCOME TAX

	2016	2015
	GEL	GEL
Current income tax benefits/(expense)	(21,370)	6,136
Deferred tax benefit/(expense)	(42,874)	34,625
TOTAL INCOME TAX	**(64,244)**	**40,761**

Income tax expense is calculated as 15% of the taxable income of the Group. This method of income tax calculation will be changed since 1 January 2017.

On May 2016 the Parliament of Georgia aproved significant changes in Georgian Tax code, which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The changes are effective for tax periods starting after 1 of January 2017. The effects on the deferred tax see in note 9.

The Benefit in income tax for the year 2015 was caused by the adjustment of the income tax declaration of the past years.

Reconciliation of income tax:

	2016	2015
	GEL	GEL
Accounting profit/(loss) before tax for the year	(118,474)	(17,629)
Corporation tax charge/(benefit) there on at 15%	**(17,771)**	**(2,644)**
Expenses not deductible for tax purposes	82,015	(38,117)
INCOME TAX EXPENSE/(BENEFIT) FOR THE YEAR	**64,244**	**(40,761)**
EFFECTIVE TAX RATE	**-54,22%**	**231.22%**

5 PROPERTY AND EQUIPMENT

	Office equipment	Leasehold improvement	TOTAL
COST	GEL	GEL	GEL
AT 1 JANUARY 2015	**106,199**	**18,262**	**124,461**
Additions	51,631	15,580	67,211
Adjustment due to an associate becoming a subsidiary	30,033	-	30,033
Disposals	(11,463)	-	(11,463)
AT 31 DECEMBER 2015	**176,400**	**33,842**	**210,242**
Additions	13,350	-	13,350
Disposals	(5,349)	-	(5,349)
AT 31 DECEMBER 2016	**184,401**	**33,842**	**218,243**
DEPRECIATION AND IMPAIRMENT			
AT 1 JANUARY 2015	**101,990**	**-**	**101,990**
Depreciation for the year	9,655	5,847	15,502
Adjustment due to an associate becoming a subsidiary	22,224	-	22,224
Accumulated depreciation on disposed assets	(5,247)	-	(5,247)
AT 31 DECEMBER 2015	**128,622**	**5,847**	**134,469**
Depreciation for the year	15,386	6,537	21,923
Accumulated depreciation on disposed assets	(5349)	-	(5,349)
AT 31 DECEMBER 2016	**138,659**	**12,384**	**151,043**
NET CARRYING VALUE			
AT 1 JANUARY 2015	**4,209**	**18,262**	**22,471**
AT 31 DECEMBER 2015	**47,778**	**27,995**	**75,773**
AT 31 DECEMBER 2016	**45,742**	**21,458**	**67,200**

6 INTANGIBLE ASSETS

The Group Intangible assets mainly comprise computer software. Additions and amortisation during 2016 were GEL 11,500 and GEL 782 (2015: GEL 343), respectively.

7 HELD TO MATURITY FINANCIAL ASSETS

	Currency	Amount(USD)	Maturity date	Interest rate	**2016**	2015
					GEL	GEL
M2 Bonds	USD	67,000	March, 2017	9.5%	181,677	164,505
Bonds of TBC CREDIT	USD	50,011	July, 2016	9.0%	-	121,681
GEL					**181,677**	**286,186**

Interest income received from Bonds during the reporting period was GEL 20,830 (2015: GEL 22,026).

During the reporting period redemption of bonds was GEL 104,509.

8 AVILABLE FOR SALE FINANCIAL ASSETS

The Group holds 1.64% shares of Georgian Waterproject JSC, which is accounted at cost. Dividend received during the reporting period was GEL 429 (2015: GEL 911)

9 DEFERRED TAX

The following table illustrates the deferred tax balances recognized in the statement of financial position:

	2016	2015
	GEL	GEL
Deferred tax assets	-	44,900
Deferred tax liabilities	-	(2,026)
NET BALANCE	**-**	**42,874**

Temporary differences:

DEFERRED TAX ASSETS	**RECOGNISED IN PROFIT OR LOSS**
AS AT 1 JANUARY 2015	**8,666**
Adjustment due to an associate becoming a subsidiary	(416)
Property and equipment	1,186
Trade receivables	(1,443)
Trade payables	(938)
Tax losses	35,819
AS AT 31 DECEMBER 2015	**42,874**
Correction	(42,874)
AS AT 31 DECEMBER 2016	**-**

Deferred tax assets are recognised only to the extent that the Group considers that it is probable (i.e more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

On May 2016 the Parliament of Georgia aproved significant changes in Georgian Tax code, which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The changes are effective for tax periods starting after 1 of January 2017.

Considering that the change in the Georgian Tax Code was enacted before the reporting date, the Group has recognized the full effect of the change by derecognizing previously recognized deferred tax assets and liabilities through the current period profit or loss as a deferred tax expense. According to this change is Georgian Tax Code, deferred assets and liabilities will not be recognised after the law is valid.

Contingent income tax liability that is generated through profit distribution will not be recognised in statement of financial position.

10 FINANCIAL ASSETS, TRADE RECEIVABLES

	2016	2015
	GEL	GEL
Trade receivables	89,845	74,290
The allowance for doubtful accounts	(37,408)	(20,021)
Prepayments, other assets	7,259	17,690
TOTAL	**59,696**	**71,959**

11 CASH AND CASH EQUIVALENTS

	2016	2015
	GEL	GEL
Cash on hand	248	881
Cash at bank	267,595	371,337
Short-term deposits	3,224,899	688,488
TOTAL CASH AND CASH EQUIVALENTS	**3,493,742**	**1,060,706**

The cash is distributed in various banks as deposits. The income from interest on deposits was GEL 69,883.

12 SHARE CAPITAL, PREMIUM

Share capital consists of 3,000,000 common shares; par value of share is GEL 0.01.

Additional share issue in Tbilisi Stock exchange JSC resulted in increase of the Group's share premium (see Note 3).

13 TRADE AND OTHER PAYABLES

	2016	2015
	GEL	GEL
Payables to suppliers	67,534	32,401
Payables to management (benefits)	50,000	-
Dividends payable	1,707	16,025
TOTAL	**119,241**	**48,426**

14 OTHER GAIN/(LOSS)

In December, 2016, TSE purchased 304,499 ordinary shares of Georgian Central Securities Depository JSC. With this investment TSE became the shareholder of 75.06% shares of the Georgian Central Securities Depository JSC. As the result of the above deal, as at December 31, 2016, JSC Georgian Stock Exchange controls 51.09% of the Georgian Central Securities Depository JSC (indirect 26.44% through TSE) and reflects it in the Group's Consolidated Financial Statements.

The transaction was carried out on December 23 for the Purpose of the Consolidated Financial Statements is the intragroup transaction, therefore, the revenue generated by the mentioned transaction will be eliminated in the consolidated financial statements; Only the distribution of shares between the controlling and non-controlling interest are changed, after which the non-controlling shares increased in the Group.

	2016
	GEL
Additional share issue in the Group (Intra Group)	304,499
Share premium increase as a result of intra Group investment	798,701
Elimination of intra Group investment	(1,103,200)
Loss accruing as a result of changes in ownership	(140,368)
Gain/(loss)	**(140,368)**

15 NET INCOME FROM SPONSORS

On 8 and 9 Septmber 2016, the 13th International Conference of the Association of Eurasian Central Securities Depositories was held in Georgia. Georgian Central Securities Depository JSC had hosted the conference. Georgian Central Securities Depository JSC has approached the participants of the conference and some firms related thereto with a request to sponsor the conference expenses. Seven companies have expressed their desire to become a sponsor and the sponsorship amounted to USD 27,000, which equals to GEL 61,607. Representative expenses related to conference amounted to GEL 35,506.

16 RELATED PARTY TRANSACTIONS

The Company's main shareholders are: TBC Capital LLC (17.33%), GCF Holdings Georgia LLC (15.33%) and Galt & Taggart JSC (15.33%).

	2016	2015
	GEL	GEL
RELATED PARTY TRANSACTIONS		
Income from main shareholders	40,762	34,553
Income from other related parties	20,189	6,435

	2016	2015
	GEL	GEL
OUTSTANDING BALANCES		
Trade receivables	2,271	5,951
Held to maturity financial assets	181,677	164,505
Trade and other payables	1,290	-
Payables (benefits) to management	50,000	-

	2016	2015
	GEL	GEL
MAIN SHAREHOLDERS INVESTMENT		
Investment in TSE	2,455,025	-

	2016	2015
	GEL	GEL
MANAGEMENT COMPENSATION		
Salary and benefits	200,830	196,056

17 INFORMATION ON FINANCIAL RISKS

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

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

In the reporting period exposure to the risks mentioned above, except currency risk is unessential.

Credit risk
Assets and liabilities denominated in foreign currency create credit risk. The Company does not have formal procedures to handle credit risk, but management believes it is well-informed in current economic processes and have taken certain steps to reduce the risk. These efforts mostly relate to management of foreign currency deposits.

For the fiscal year the Company had following items denominated in foreign currency.

As at 31 December 2016:

	CASH AND CASH EQUIVELANTS	TRADE RECEIVABLES	HELD TO MATURITY FINANCIAL ASSETS	TOTAL
	GEL	GEL	GEL	GEL
GEL	719,257	51,279	-	770,536
USD	2,774,459	7,271	181,677	2,963,407
EUR	26	1,146	-	1,172
TOTAL	**3,493,742**	**59,696**	**181,677**	**3,735,115**

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the US Dollar would cut / increase 2016 profits after tax by GEL 44,569 (2015: GEL 56,552).

As at 31 December 2015:

	CASH AND CASH EQUIVELANTS	TRADE RECEIVABLES	HELD TO MATURITY FINANCIAL ASSETS	TOTAL
	GEL	GEL	GEL	GEL
GEL	688,027	65,506	-	753,533
USD	372,679	6,453	286,186	665,318
TOTAL	**1,060,706**	**71,959**	**286,186**	**1,418,851**

A hypothetical 10% increase / decrease in the exchange rate of the GEL against the US Dollar would cut / increase 2015 profits after tax by GEL 56,552 (2014: GEL 36,874).

18 EVENTS AFTER THE REPORTING PERIOD

This financial statement was approved for publishing by the Company's Management on 27 March 2017.

19 SIGNIFICANT JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing its financial statements, the Company has not made any significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes, except of those mentioned in summary of significant accounting policies.