MFO “GIC” JSC
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS

These special purpose financial statements are presented in GEL

INDEPENDENT AUDITOR'S REPORT

To the shareholders and supervisory board of MFO GIC JSC

Opinion

We have audited the financial statements of "GIC" JSC (the "MFO"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the financial statements present fairly, in all material respects, the financial position of the MFO as at December 31, 2022, and (of) 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 MFO 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.

Other Information

The MFO's Management is responsible for the other information. The other information comprises the information included in the management report for the year ended 31 December 2022, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have performed certain procedures needed to form a conclusion on the compliance of the MFO's management report with article 7 para 6 of law of Georgia on Accounting, Reporting and Auditing and report in this regard is issued through a separate letter dated June 15, 2023.

Responsibilities of Management and board of directors for the Financial Statements

The MFO 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 MFO'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 MFO or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the MFO'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 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 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 MFO'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 MFO'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 MFO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board 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.

June 15, 2023

RSM Georgia

Engagement Partner: Paata Chubinidze

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June 15, 2023

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
Interest income	4	862,599	889,438
Interest expenses	4	(15,837)	(16,806)
Net interest income		**846,762**	**872,632**
Loan impairment charge	13	(232,836)	(55,697)
Net interest income after provision for loan impairment		**613,926**	**816,935**
Net fee and commission income	5	18,433	17,474
Other operating expenses	6	(560,062)	(584,948)
Net foreign gain/(loss)	7	(20,746)	(2,540)
Other non-operating income/expense	8	169,505	64,429
Profit/loss before tax		**221,056**	**311,350**
Current income tax	9	(59,294)	(67,216)
Net profit		**161,762**	**244,134**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**161,762**	**244,134**

Approved for issue and signed on behalf of the Management on 15 June, 2023.

Director	Vakhtang Magradze	______________________
Chief Accountant	Tsiuri Turmanidze	______________________

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Director Vakhtang Magradze

Chief Accountant Tsiuri Turmanidze

STATAMENT OF FINANCIAL POSITION AT THE END OF 31 DECEMBER 2022

	Notes	31 December 2022	31 December 2021
Assets			
Property, Plant and Equipment	10	20,272	24,947
Right of use	14	69,544	78,238
Investment properties	11	38,769	43,797
Intangible assets	12	39,136	44,910
Tax assets		-	52,536
Loans to customers	13	3,077,096	2,990,409
Cash and cash equivalents	15	570,109	479,013
Deferred income tax assets	18	406	326
Other assets	16	36,538	82,986
Total assets		**3,851,870**	**3,797,162**
Equity and Liabilities			
Equity			
Additional capital	17	2,497,100	2,497,100
Paid in capital	17	676,818	676,818
Retained earnings		536,219	446,043
Total equity		**3,710,137**	**3,619,961**
Liabilities			
Lease liabilities	19	120,194	128,356
Other liabilities	20	12,812	48,845
Total liabilities		8 727	-
Total equity and liablities		**141,733**	**177,201**
Total equity		**3,851,870**	**3,797,162**

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Chief Accountant Tsiuri Turmanidze

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Additional capital	Additional capital	Retained earnings	Total Equity
At 1 January 2021	**17**	**2,497,100**	**676,818**	**817,861**	**3,991,779**
Profit for the year		-	-	244,134	244,134
Dividends Paid		-	-	(615,952)	(615,952)
At 31 December 2021	**17**	**2,497,100**	**676,818**	**446,043**	**3,619,961**
Profit for the year		-	-	161,762	161,762
Dividends Paid		-	-	(71,586)	(71,586)
At 31 December 2022		**2,497,100**	**676,818**	**536,219**	**3,710,137**

Approved for issue and signed on behalf of the Management on 15 June, 2023.

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At 1 January 2021	17	**2,497,100**	**676,818**	**817,861**	**3,991,779**
Profit for the year		-	-	244,134	244,134
Dividends Paid		-	-	(615,952)	(615,952)
At 31 December 2021	17	**2,497,100**	**676,818**	**446,043**	**3,619,961**
Profit for the year		-	-	161,762	161,762
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022	2021
Cash flows from operating activities			
Profit before tax for the year:		**221,056**	**311,350**
Adjustments:			
Provisions for loan losses	13	232,836	(55,697)
Impairment of investment property	11	-	29,322
Depreciation and amortization	10,12,14	15,201	35,058
Foreign exchange gain	7	20,746	2,540
Interest expense	14	15,837	16,806
Interest income	4	(862,599)	(889,438)
Operating profit before changes in operating assets		**(356,923)**	**(550,059)**
Decrease(Increase) in operating assets:			
Loans to customers	13	(317,645)	503,342
Other assets	16	46,448	(71,774)
Tax assets		(6,838)	(65,387)
Increase / (decrease) in operating liabilities:			
Other liabilities	20	(36,026)	(32,150)
Net cash used in operating activities before income tax		**(670,984)**	**(216,028)**
Income tax paid	9	-	(45,000)
Interest received	4	854,458	914,872
Net cash used in operating activities		**183,474**	**653,844**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets	12	(1,133)	(2,460)
Sales and disposals of Investments	11	10,102	-
Net cash used in investing activities		**8,969**	**(2,460)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of the lease liability	19	(24,000)	(24,000)
Dividneds Paid	17	(71,586)	(615,952)
Net cash used in financing activities		**(95,586)**	**(639,952)**
CASH AND CASH EQUIVALENTS			
Effect of exchange rate changes on cash and cash equivalents held	7	(5,761)	1,603
Net increase (decrease) in the year		**91,096**	**13,035**
At 1 January	15	**479,013**	**465,978**
At 31 December	15	**570,109**	**479,013**

Approved for issue and signed on behalf of the Management on 15 June, 2023.

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NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Microfinance organization “GIC” Joint Stock MFO (“the MFO”) is an entity domiciled in and registered (ID: 204470740) under the laws of Georgia (date of incorporation: October 2, 2009). The address of its office is Phaliashvili Str. №96, Tbilisi, Georgia.

The main activities of the MFO is issue collateralized and uncollateralized loans.

In October of 2009 due to going concern of “First British MFO” JSC MFO “GIC” JSC was created. Share capital of MFO consisted of 24,651 shares with total value of 2,465,100 GEL. It’s issued capital amounted to 676,818 which belonged to it before “First British MFO” JSC went concern. during January 1st 2015 additional 320 shares were issued with nominal value of 32,000 GEL, which totaled number of shares to 24,971 with nominal value of 2,497,100 GEL.

For the year, ended 31 December 2022 number of employees equals to 12 (2021:12).

As at 31 December 2022 and 2021 the following shareholders owned the issued shares of the MFO:

	Ownership, %	
	31 December 2021	**31 December 2020**
Anastasia Tavkhelidze	33 %	33 %
Elisabed Amirejibi	33 %	33 %
Aleqsandre Amirejibi	34 %	34 %
Total:	**100%**	**100%**

2. Georgian business environment

The MFO’s operations are all located in Georgia. Consequently, the MFO is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The financial statements reflect management’s assessment of the impact of the Georgian business environment on the operations and the financial position of the MFO.

The Coronavirus pandemic has taken a significant toll around the world disrupting logistic chains and reducing external and domestic demand. Due to the impacts of this ongoing crises on the local industry and the country’s economy in general has been worthen.

3. Summaries of significant accounting policies

3.1. Basis of preparation

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standards (“IFRS”) , being standards and interpretations issued by the International Accounting Standards Board (“IASB”), in force at 31 December 2021 They are presented in Georgian Lari (“GEL”). The measurement basis used is the historical cost basis, except where otherwise stated in the accounting policies below.

The financial statements presents a statement of profit or loss and other comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the MFO in their capacity as owners are recognised in the statement of changes in equity.

The MFO presents the profit and loss items using the classification by function of expenses. The MFO believes this method provides more useful information to the readers of the special purpose financial statements as it better reflects the way operations are run from a business point of view.

Measurement bases

Accounting period contains the year beginning at January 1, 2021 and ending at December 31, 2021.The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. 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 MFO 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 MFO 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.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the MFO at the end of the reporting period during which the change occurred.

3.2. Application of New or Revised Standards and Pronouncements

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

- Property, plant and equipment: Proceeds before intended use – Amendment to IAS 16;
- Onoreus contracts – cost of fulfilling the contract – Amendments to IAS 37;
- Annual improvements to IFRS standards 2018-2020, and;
- References to the contractual framekwork – Amendments to IFRS 3;

The company has also elected to adopt the following amdendments early:

- Defered tax related to assets and liabilities arising from single transaction – Amendments to IAS 12, and;
- Disclosure of accounting policies – Amendments to IAS 1 and IFRS practice statement 2;

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

3. 3 New Accounting Standards and Interpretations not yet mandatory or early adopted

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2021. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

IAS 1 Presentation of Financial Statements – Classification of current and non-current liabilities: This amendment was issued in January 2020, effective for annual reporting periods beginning on or after January 1, 2023. The amendment:

- creates a new section on the concept of settlement for the purpose of classifying a liability as current versus non-current. A settlement refers to a transfer to the counterparty that results in the extinguishment of the liability that can either be in cash, another economic resource, or the entity’s own equity instruments;

- clarifies that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period, and instead focuses on the rights to defer settlement that have substance and exist at the end of the reporting period;

- clarifies that if the right to defer settlement is subject to the entity complying with specified conditions (i.e. covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at the end of the reporting period.

IFRS 17, Insurance contracts: IFRS 17, Insurance contracts replaces IFRS 4, Insurance Contracts effective for periods beginning on or after January 1, 2023. Early application is permitted if the entity has applied IFRS 15, Revenue from Contracts with Customers and IFRS 9, Financial Instruments. The objective of the standard, per IFRS 17.1, is to establish principles for the recognition, measurement, presentation вand disclosure of insurance contracts that are within the scope of IFRS 17.

3.3 Accounting policies

Measurement methods

Financial instruments

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs premiums or discounts and fees and points paid or received that are integral to the effective interest rate such as origination fees. For purchased or originated credit-impaired (POCI) financial assets-assets that are credit-impaired at initial recognition - the MFO calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. When the MFO revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is appled to the amortised cost of the financial asset.
(b) Financial assets that are not ‘POCI' but have subsequently become credit-impaired (or 'stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair the financial asset or financial liability value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on inital recognition, the entity recognises the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets the difference is recognised as a gain or loss
b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

The Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL).
- Fair value through other comprehensive income (FVOCI), or
- Amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) the Company's business model for managing the asset, and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL. are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance regocnised. Interest income from these financial assets is included in ‘’Interest and similar income’’ using the effective interest rate method.
- Fair value through other comprehensive income (FVOCl): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of

principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI), Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within Net trading income in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income. Interest income from these financial assets is included in "Interest income using the effective interest rate method.

Business model: the business model reflects how the MFO manages the assets in order to generate cash flows. That is, whether the MFO's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVPL Factors considered by the MFO in determining the business model for a Company of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the MFO assesses whether the financial instruments cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the MFO considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The MFO reclassifies debt investments when and only when its business model for assets changes The reclassification takes place from the start of the first reporting peniod following the change Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of profit or loss.

Impairment

The MFO assesses on a forward-looking basis the expected credit losses (ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money, and

- Reasonable and supportable information that is available without undue cost or effort at the reporting. date about past events, current conditions and forecasts of future economic conditions.

Derecognition

Financial assets, or a portion thereof, are derecognised when the cotractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Financial Liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for

- Financial liabilities at fair value through profit or loss this classification is applied to derivatives financial liabilities held for trading (e.g. short positions in the trading booking) and other financial labilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credt risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in fair value of the liability). This is unless suck a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not quality for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Company recognises any expense incurred on the financial liability, and
- Financial guarantee contracts and loan commitments.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the MFO and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 % different from the discounted present value of the remaining cash flows of the original financianl lability. In addition, other qualitative factors, such as the currency that the instrument is denominated in changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Provisions and contingencies

Provisions are recognised when the MFO has an obligation at the reporting date as a result of a past event; it is probable that the MFO will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to a specific obligation. The increase in the provision due to the passage of time is recognised as interest expense. Provisions are not recognised for future operating losses. Contingent assets and contingent liabilities are not recognised.

Translation of foreign currencies

The functional currency of the MFO is Georgian Lari (“GEL”). Transactions in foreign currencies are initially recorded in the functional currency using the official exchange rates of the National Bank of Georgia at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement are recognised in profit or loss.

The applicable exchange rates used were:

	Official currency rate of the National Bank of Georgia		
	USD	EUR	GBP
Exchange rate as at 31 December 2022	2.7020	2.8844	3.2581
Exchange rate as at 31 December 2021	3.0976	3.5040	4.1737
Average rate for the year ended 31 December 2022	2.6834	3.0792	3.2610
Average rate for the year ended 31 December 2021	3.2209	3.8140	4.4325

Property, Plant and Equipment

On initial recognition, items of property and equipment are recognised at cost, which includes the purchase price as well as ფლany 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 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:

Building	5% declining balance method
Furniture, fixtures and office equipment	20% declining balance method
Computer equipment	20% declining balance method
Leasehold improvements	20% declining balance method
Other PPE	20% declining balance method

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 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 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.

Intangible Assets

Separately acquired 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 amortization and impairment losses. The estimated useful life and amortization 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.

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.

Amortization

For intangible assets with finite useful lives, amortization is calculated so as to write off the cost of the asset, less its estimated residual value, over its useful economic life as follows:

Accounting software	15% declining balance method.

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

Right-of-Use Assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.
Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the MFO expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The MFO has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Investment property

Investment properties are held to earn rental income and / or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The cost comprises the purchase price and any directly attributable expenditure (eg professional fees for legal services, property transfer taxes).

Subsequently, investment properties are carried at depreciated cost, less any accumulated impairment losses at the reporting date. Investment properties are depreciated on a straight line basis over expected useful lives of 20 years.

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 MFO 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 MFO’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.

Lease Liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the MFO’s incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Share capital

Share capital is classified as equity. When charter capital is increased by noncash contribution amount is recognized as additional paid-in capital.

The difference between the nominal amount of registered share capital for non-cash assets contributed by or distributed to the owner and the fair value of the contributed or distributed assets is recognised as additional paid-in capital.

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.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the MFO excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

3.4 Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimation uncertainty In the process of applying the Company’s accounting policies, management made estimates in determining the amounts recognised in the financial statements. The most significant use of estimates are as follows:

Allowance for expected credit losses

The measurement of expected credit losses on loans to customers under IFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining expected credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;

- Development of ECL models, including the various formulae and the choice of inputs;

Selection of forward-looking macroeconomic scenarios (CPI index, monitory policy rate and GDP growth) and their probability weightings, to derive the economic inputs into the ECL models.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

4. **Interest income and expenses**

	2022	**2021**
Interest income		
Interest Income from the loans with individuals	853,000	882,823
Interest Income from deposits	9,599	6,615
Total interest income	**862,599**	**889,438**
Interest expense		
Interest expense on lease liability	(15,837)	(16,806)
Total interest expense	**(15,837)**	**(16,806)**
Net interest income	**846,762**	**872,632**

Interest rate on current account In GEL is 2% and in USD is 0.5%
The average Interest rate for loans to customers in GEL is 25%-27% and in USD is 29%-30%
The interest rate on the deposit is variable.

5. Fee and commission income and expenses

	2022	**2021**
Fee and commission income		
Commission income	73,069	72,605
Total fee and commission income	**73,069**	**72,605**
Fee and commission expense		
Commision expense	(54,636)	(55,131)

Total fee and commission expense	**(54,636)**	**(55,131)**
Net fee and commission income/(expense)	**18,433**	**17,474**

The MFO is receiving commission fee for issue of loans. Commission income includes the administrative fee for the issue loan, is calculated by percentage of loan amount, given in the agreement and is received when the loan is issued.

The MFO commission expense includes communication services, such as fees of use of databases, fees for finding information on borrowers.

6. Other operating expenses

	2022	2021
Employee salaries and benefits	481,000	481,000
Audit Fee	22,821	22,477
Depreciation and amortisation	14,119	26,364
Operating taxes	12,851	12,967
Other operating expenses	10,248	18,277
Depreciation charge on ROU	8,694	8,694
Utilities	8,002	7,246
Legal and consultancy	2,327	7,923
Total other operating expenses	**560,062**	**584,948**

7 . Net foreign gain/(loss)

	2022	2021
Cash and cash equivalents	14,489	1,603
Loans to Customers	6,263	(3,874)
Other assets	-	(293)
Other liabilities	(6)	24
Net foreign exchange translation gain(loss)	**20,746**	**(2,540)**

8. Other operating income

	2022	2021
Penalties on loans to individuals	166,691	70,970
Other non-operating income	2,814	(6,541)
Total other non-operating income	**169,505**	**64,429**

9. Income tax expense

	2022	2021
		GEL
Current income tax	(59,374)	(57,850)
Deferred income tax (expense)/benefit	80	(9,366)
Total income tax	**(59,294)**	**(67,216)**

Profit tax is 15% of annual profit.

Income tax reconciliation	2022	2021
Profit before tax	248,389	311,350
Income tax 15%	(37,258)	(46,703)
Adjustments:		
Non-deductable expenses	(22,116)	(11,147)
Temporary difference (note 18)	80	(9,366)

Income tax charge for the year	**(59,294)**	**(67,216)**
Effective tax rate	24%	22%

10. **Property, Plant and Equipment**

	Computer equipment	Office equipment	Leasehold improvem.	Other fixed assets	Total
Cost					
1 January 2021	**98,398**	**10,277**	**7,864**	**23,246**	**139,785**
Acquisitions	-	-	-	-	-
31 December 2021	**98,398**	**10,277**	**7,864**	**23,246**	**139,785**
31 December 2022	**98,398**	**10,277**	**7,864**	**23,246**	**139,785**
Depreciation and impairment					
1 January 2021	**74,989**	**9,748**	**6,456**	**17,833**	**109,026**
Depreciation for the year	4,683	183	334	612	5,812
31 December 2021	**79,672**	**9,931**	**6,790**	**18,445**	**114,838**
Depreciation for the year	3,745	146	516	267	4,675
31 December 2022	**83,417**	**10,077**	**7,306**	**18,712**	**119,512**
Net carrying amount					
1 January 2021	**23,409**	**529**	**1,408**	**5,413**	**30,759**
31 December 2021	**18,726**	**346**	**1,074**	**4,801**	**24,947**
31 December 2022	**14,980**	**200**	**558**	**4,534**	**20,272**

Property and equipment are not pledged for any kind of loan.

There is no full-depreciated property, plant and equipment during the year.

11. **Investment Property**

	Land	Building	Total
Cost			
1 January 2021	**38,769**	**112,348**	**151,117**
Impairment of nvestment property	-	(40,700)	(40,700)
31 December 2021	**38,769**	**71,648**	**110,417**
Disposals	**-**	(5,507)	(5,507)
31 December 2022	**38,769**	**66,139**	**104,909**
Depreciation and impairment			
1 იანვარი 2021	**-**	**74,170**	**74,170**
Depreciation for the year	-	3,828	3,828
Depreciation of impaired investment property	-	(11,378)	(11,378)
31 December 2021	**-**	**66,620**	**66,620**
Depreciation for the year	**-**	(480)	(480)
31 December 2022	**-**	**66,140**	**66,140**
Net carrying amount			
1 January 2021	**38,769**	**38,178**	**76,947**
31 December 2021	**38,769**	**5,028**	**43,797**
31 December 2022	**38,769**	**-**	**38,769**

The MFO does not generate rentals from investment property and holds it for capital appreciation. Following property has trassfered to the MFO’s ownership from the loans which were pledged as collateral for issued loans. Below sees the description of investment property.

Management estimates fair value of investment property is as follows:

Investment property	Fair value
Land	38,771
Building	29,918

The land is located in the municipality of Mtskheta, in village Naoza. The building is located on Kavlashvili st. #3.

12. **Intangible Assets**

	Computer Programmes	Total
Cost		
1 january 2021	**145,299**	**145,299**
Acquisitions	2,460	**2,460**
31 december 2021	**147,759**	**147,759**
Acquisitions	1,133	**1,133**
31 december 2022	**148,891**	**148,891**
Depreciation and impairment		
1 january 2021	**(86,124)**	**(86,124)**
Amortization for the year	(16,725)	**(16,725)**
31 december 2021	**(102,849)**	**(102,849)**
Amortization for the year	(6,906)	**(6,906)**
31 december 2021	**(109,755)**	**(109,755)**
Net carrying amount		
1 january 2021	**59,175**	**59,175**
31 december 2021	**44,910**	**44,910**
31 december 2022	**39,136**	**39,136**

MFO owns the licenses of the accounting software, “Alta" and the antivirus program.
Intangible assets are not pledged as collaterals for any kind of loans.

13. **Loan to customers**

	31 December 2022	31 December 2021
Loans granted to individuals - loans secured by real estate	3,355,920	3,417,659
Loans granted to individuals - unsecured loans	52,956	69,695
Loans granted to legal entities - secured loans	398,002	-
Minus: loan impairment charge	(729,781)	(496,945)
Total loan issued	**3,077,096**	**2,990,409**

Analyze Categories	31 December 2021	31 December 2020
Category 1 - Trading and service	841,053	349,613
Category 2 - Customer loan	2,916,854	2,920,086
Category 7 - For purchase real estate	-	46,521
Category 8 - Refinancing	3,752	52,279

Category 9 - For privet expenses	14,474	20,772
Category 10 - Other	30,744	98,083
Total Gross loans	**3,806,877**	**3,487,354**
less: Expected Credit Loss	(729,781)	(496,945)
Net Loans	**3,077,096**	**2,990,409**

Movements in the loan impairment allowance for the year ended December 31, 2022 are as follows

	Stage 1 12-month ECL	Stage 2 Lifetime ECL - not credit impaired	Stage 3 Lifetime ECL – credit-impaired	Total 2022
Balance at the beginning of the year	**40,460**	**368,369**	**88,116**	**496,945**
Loan impairment changes during the year for new loans	62,737	122,164	2,923	**187,824**
Write down and recovery	661	205,158	53,492	**259,311**
Change due to change in credit risk - Transfer to 12-month ECL	(12,592)	12,592	-	**-**
Change due to change in credit risk - Transfer to lifetime ECL not credit impaired	(2,442)	14,529	(12,087)	**-**
Change due to change in credit risk - Transfer to lifetime ECL credit-impaired	-	10,383	(10,383)	**-**
Repaid loans	(1,585)	(156,098)	(56,616)	**(214,299)**
Balance at the end of the year	**87,239**	**577,097**	**65,445**	**729,781**

Movements in the loan impairment allowance for the year ended December 31, 2021 are as follows:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL - not credit impaired	Stage 3 Lifetime ECL – credit-impaired	Total 2021
Balance at the beginning of the year	**213,604**	**279,215**	**164,468**	**657,287**
Loan impairment changes during the year for new loans	27,097	180,882	56,617	**264,596**
Write down and recovery	(34,581)	(85,722)	(95,736)	**(216,039)**
Change due to change in credit risk - Transfer to 12-month ECL	14,094	(14,094)	-	-
Change due to change in credit risk - Transfer to lifetime ECL not credit impaired	(67,949)	81,255	(13,306)	-
Change due to change in credit risk - Transfer to lifetime ECL credit-impaired	-	(11,956)	11,956	**-**
Repaid loans	(111,805)	(61,211)	(35,883)	**(208,899)**
Balance at the end of the year	**40,460**	**368,369**	**88,116**	**496,945**

Respective movements in the gross carrying amounts of loans to customers for the year ended December 31, 2022 are as follows:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL - not credit impaired	Stage 3 Lifetime ECL – credit-impaired	Total
Balance at the beginning of the year	**995,238**	**2,380,310**	**111,806**	**3,487,354**
New loans	784,346	914,248	5,219	**1,703,813**
Change in balances from prior year	(77,090)	(106,000)	(2,005)	**(185,095)**
Change due to change in credit risk - Transfer to 12-month ECL	(56,781)	56,781	-	**-**
Change due to change in credit risk - Transfer to lifetime ECL not credit impaired	(61,031)	78,507	(17,476)	**-**
Change due to change in credit risk - Transfer to lifetime ECL credit-impaired	-	(72,723)	72,723	**-**
Repaid loans	211,505	(1,353,251)	(57,449)	**(1,199,196)**
Balance at the end of the year	**1,796,187**	**1,897,872**	**112,818**	**3,806,877**

Respective movements in the gross carrying amounts of loans to customers for the year ended December 31, 2021 are as follows:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL - not credit impaired	Stage 3 Lifetime ECL – credit-impaired	Total
Balance at the beginning of the year	**2,397,549**	**1,468,015**	**259,084**	**4,124,648**
New loans	554,762	1,032,462	46,804	**1,634,028**
Change due to change in credit risk - Transfer to 12-month ECL	66,328	(66,328)	-	**-**
Change due to change in credit risk - Transfer to lifetime ECL not credit impaired	(760,440)	783,958	(23,518)	**-**
Change due to change in credit risk - Transfer to lifetime ECL credit-impaired	-	(43,898)	43,898	**-**
Repaid loans	(1,262,961)	(793,899)	(214,462)	**(2,271,322)**
Balance at the end of the year	**995,238**	**2,380,310**	**111,806**	**3,487,354**

Foreign currency effects are disclosed in the note 7.

The economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2022		**31 December 2021**	
	Ending Balance	**%**	**Ending Balance**	**%**
Loans to individuals - real estate	3,753,922	99%	3,417,659	98%
Loans to individuals – uncollateralized	52,956	1%	69,695	2%
Total loan issued (before Imparement)	**3,806,877**	**100%**	**3,487,354**	**100%**

14. Right of use asset

	ოფისის იჯარა	სულ
Right of use		
1 January 2021	**173,872**	**173,872**
Additions /(Disposals)	-	**-**
31 December 2021	**173,872**	**173,872**
Additions /(Disposals)	-	-
31 December 2022	**173,872**	**173,872**
Accumulated Depreciation		
1 January 2021	**86,940**	**86,940**
Depreciation Charge	8,694	**8,694**
31 December 2021	**95,634**	**95,634**
Depreciation Charge	8,694	**8,694**
31 December 2022	**104,328**	**104,328**
NET CARRYING AMOUNT		
Net Book Value at 1 January 2021	**86,932**	**86,932**
Net Book Value at 31 December 2021	**78,238**	**78,238**
Net Book Value at 31 December 2022	**69,544**	**69,544**

The Company does not earned income from investment property. No expenditure on investment property improvement was incurred during the reporting period.

Below is disclosed terms of agreement recognised under IFRS 16 as Right of Use:

Right of use asset	**No of right of use assets leased**	**Range of remaining term**	**Average remining term**	**No of leases with extension options**	**No of leases with options to purchase**	**No of leases with varibly payments linked to an index**	**No of leases with termination option**
office space	1	10 years	8	-	-	-	-

15. Cash and cash equivalents

	31 December 2021	**31 December 2020**
Cash on hand	-	222
Cash at current bank accounts	15,705	70,498
Demand Deposit	554,403	408,293
Total cash and cash equivalents	**570,109**	**479,013**

Interest income from deposits during the reporting period was 6,615 GEL (2020: 4,779). For the income from deposits see note 4.

Foreign currency effects are disclosed in the note 7.

16. Other Assets

	31 December 2021	**31 December 2020**
Advances paid to to the Bureau of Enforcement	5,534	28,004
Prepaid expenses	11,754	11,557
Repossessed assets	19,250	43,425
Total other Assets	**36,538**	**82,986**

17. Equity capital

In October of 2009 due to going concern of “First British MFO” JSC MFO “GIC” JSC was created. Share capital of MFO consisted of 24,651 shares with total value of 2,465,100 GEL. It’s issued capital amounted to 676,818 which belonged to it before “First British MFO” JSC went concern. during January 1st 2015 additional 320 shares were issued with nominal value of 32,000 GEL, which totaled number of shares to 24,971 with nominal value of 2,497,100 GEL.

Number of shares changed by year is as follows:

Description	Number of issued shares	Ordinary Shares	Nominal Value	Total
As of 31 December 2022,	24,971	24,971	100	**2,497,100**
As of 31 December 2021,	24,971	24,971	100	**2,497,100**

There were no any movement during the 2022 reporting period in share capital.

During the period, there is announced and issued dividend at amounted 71,586 GEL (2020: 615,951 GEL)

18. Deffered Tax

	31 December 2022	31 December 2021
Deferred tax asset	18,029	19,254
Deferred tax liability	(17,624)	(18,928)
Net balance	**406**	**326**

The tables below illustrate, in respect of each type of temporary difference, the movements of deferred tax assets and liabilities recognized in the period.

	Other comprehensive income	Profit or loss	Total
As at 1 January 2021		**9,692**	**9,692**
Right of use	-	(1,095)	(1,095)
Lease liabilities	-	(1,079)	(1,079)
PPE		(7,192)	(7,192)
As at 31 December 2021	**-**	**326**	**326**
Right of use	-	1,304	1,304
Lease liabilities	-	(1,224)	(1,224)
PPE	-	-	-
As at 31 December 2022	**-**	**406**	**406**

19. Lease liability

Lease Liability	31 December 2022	31 December 2021
Long-Term Lease Liabilities	110,931	120,193
Short-Term Lease Liabilities	9,262	8,163
Total Lease Liabilities	**120,193**	**128,356**

Detailed reconciliation of lease liabilities is presented below:

Balance at 1 January 2021	**135,550**
Lease payment	(24,000)
Interest Expense on Lease Liabilities	16,806
Balance at 31 December 2021	**128,356**
Lease payment	(24,000)
Interest Expense on Lease Liabilities	15,837
Balance at 31 December 2022	**120,193**

The lease agreements does not contain implicit lease rate. The MFO used as an incremental borrowings rate National Bank of Georgia`s (NBG) borrowing rates for companies at lease commencement date.

The MFO has leased office space for estimated time of the lease term is 10 years from signing the agreement, agreement has been signed at March, 2011, MFO has used average borrowing rate announced by the NBG for borrowing in national currency between 2011 and 2019 which equals to 12%.

lease liability maturity analysis	**31 December 2022**	**31 December 2021**
less than 1 year	9,262	8,163
1 to 5 years	51,318	45,227
more than 5 years	59,613	74,966

20. Other liability

	31 December 2022	**31 December 2021**
Advances received	12,812	48,845
Total other liabilities	**12,812**	**48,845**

21. Contingencies and Commitments

As of 31 December 2022, and 31 December 2021 the company doesn’t have any contingencies and commitments

22. Fair values of financial assets and liabilities

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities. The MFO has determined the fair values of financial assets and liabilities using valuation techniques. The objective of the valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair values of the MFO’s financial assets and liabilities, approximate their carrying amounts.

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

	2022			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	570,109	-	-	**570,109**
Loans issued	-	-	3,077,096	**3,077,096**
Other financial Assets	-	-	5,534	**5,534**
Total financial assets	**570,109**	**-**	**3,082,630**	**3,652,739**
Financial liabilities				
Lease liabilities	-	-	120,194	**120,194**
Total financial liabilities	**-**	**-**	**120,194**	**120,194**

	2021			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	479,013	-	-	**479,013**
Loans issued	-	-	2,990,409	**2,990,409**
Other financial Assets	-	-	28,004	**28,004**
Total financial assets	**479,013**	**-**	**3,018,413**	**3,497,426**
Financial liabilities				
Lease liabilities	-	-	128,356	**128,356**
Total financial liabilities	**-**	**-**	**128,356**	**128,356**

23. Financial risk management

In performing its operating, investing and financing activities, the MFO 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 MFO.
- Liquidity risk: the risk that the MFO 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 MFO is exposed to three market risk components:
  - Interest rate risk
  - Currency risk
  - Equity price risk

Management of the MFO manages risks by cooperation with operating units. Because if the simplicity of the MFO’s operations, there is not a pre-set policy for managing risks.

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

	31 December 2022	31 December 2021
Financial assets		
Cash and cash equivalents	570,109	479,013
Loans issued	3,077,096	2,990,409
Other financial Assets	5,534	28,004
Total financial assets	**3,652,739**	**3,497,426**
Financial liabilities		
Lease liability	120,194	128,356
Total financial liabilities	**120,194**	**128,356**

Credit risk

The MFO allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure. Each exposure is allocated to the credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The MFO's portfolio totally consist with the loans granted to domestic customers and therefore the MFO implemented policy and procedures regarding credit risk grading. The company uses loss ratio method

The MFO uses a "three-stage" model for impairment based on changes in credit quality since initial recognition summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "stage 1" and has its credit risk continuously monitored by the MFO.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to "stage 2" but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, it is then moved to "stage 3".
- Financial instrument in stage 1 has the ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within next 12 months. Instruments in stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis.

The following diagram summarizes the impairment approach of the MFO:

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-moth expected credit loss	Liftime expected credit losses	Liftime expected credit losses

The MFO considers financial assets as credit impaired when the instrument is past due more than 90 days. Most part of issued loans are collateralized, however the MFO does not take into calculation of collaterals and ECL are recognized based on the matrix bellow:

Type of loan/Category	**2022**					
	Category 1	**Category 2**	**Category 7**	**Category 8**	**Category 9**	**Category 10**
colleteralized current	5%	5%	5%	5%	5%	5%
without colleteral current	6%	6%	6%	6%	6%	6%
overdue days 1-30	18%	33%	7%	16%	10%	10%
overdue days 31-60	33%	45%	8%	23%	11%	11%
overdue days 61-90	33%	51%	13%	28%	17%	13%
overdue days 91-180	33%	56%	17%	32%	17%	16%
overdue days more than 180 days	100%	100%	100%	100%	100%	100%

Type of loan/Category	**2021**					
	Category 1	**Category 2**	**Category 7**	**Category 8**	**Category 9**	**Category 10**
colleteralized current	4%	4%	4%	4%	4%	4%
without colleteral current	5%	5%	5%	5%	5%	5%
overdue days 1-30	5%	14%	5%	17%	5%	6%
overdue days 31-60	21%	22%	5%	25%	7%	8%

overdue days 61-90	22%	28%	11%	31%	14%	12%
overdue days 91-180	50%	50%	50%	50%	50%	50%
overdue days more than 180 days	100%	100%	100%	100%	100%	100%

Financial assets classified as “current” are considered to be at stage 1, financial assets classified as “More than 90 days” are considered to be at Stage 3, all other financials assets are considered to be at stage 2.

Loss allowances will be measured on either of the following bases: a) 12-month ECLs - If the credit risk on a financial instrument has not increased significantly since initial recognition b) lifetime ECLs - If the credit risk on that financial instrument has increased significantly since initial recognition.

While determining the ECL ratios, The MFO guided on the basis of past experience and statistical data and the results has been adjusted according to the Economic factors. Provision rates are updated every year based on additionally included statistics into calculation, accumulated in the reporting period.

The MFO writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the MFO’s recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Categories are determined based on the purpose of the loan.

Categories upon disbursement of a loan:

Category 1 – trading and service
Category 2 – customer loan
Category 7 - for purchase real estate
Category 8 – refinancing
Category 9 - for privet expenses
Category 10 – other

Grades in case of overdue:

C1 1-30 day overdue
C2 31-60 day overdue
C3 61-90 day overdue
D1 91-180 day overdue
D2 >181

Grades for not overdue loans:

A secured loan
B not secured loans
Default grades are represented by D2.

The MFO recognizes default in the following cases:

- *Arrears including restructured loans >90 days*
- *Decease of a client*
- *Force majeure, when a client becomes insolvent due to external factors beyond the control*

The definition of default is in line with relevant regulations taking into account the 90 days past due cap presumption IFRS 9.
Loans under watch are represented by D1 Category.

If payments are duly made of grade loans for at least 6 months such loan is assigned to the grade determined based on overdue days.

The MFO incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL (expected credit loss).

The MFO has identified and documented the key drivers of credit risk and credit losses for the portfolio using an analysis of historical data, has assessed impact of macro-economic variables on probability of default and recovery rate. The following macro-economic variables were involved in the analysis:

- *CPI*
- *Monetary policy*
- *GDP Growth rate*

The MFO’s all financial assets classification by stages are presented bellow:

31 December 2022	**Note**	**Current**	**1-30 past due**	**31-60 past due**	**61-90 past due**	**91-180 past due**	**More than 180 days**
Cash and cash equivalents		570,109	-	-	-	-	-
Loans to customers							
Secured Loans:							
Stage 1		1,759,884	-	-	-	-	-
Stage 2		-	1,533,329	246,590	105,311	-	-
Stage 3		-	-	-	-	107,689	1,119
Total		**2,329,993**	**1,533,329**	**246,590**	**105,311**	**107,689**	**1,119**
Unsecured Loans							
Stage 1		36,302	-	-	-	-	-
Stage 2		-	12,644	-	-	-	-
Stage 3		-	-	-	-	-	4,010
Total		**36,302**	**12,644**	**-**	**-**	**-**	**4,010**

31 December 2021	**Note**	**Current**	**1-30 past due**	**31-60 past due**	**61-90 past due**	**91-180 past due**	**More than 180 days**
Cash and cash equivalents		479,013	-	-	-	-	-
Loans to customers							
Secured Loans:							
Stage 1		944,947	-	-	-	-	-
Stage 2		1,851,871	-	426,055	82,981	47,379	-
Stage 3		-	-	-	-	-	64,426
Total		**3,275,831**	**-**	**426,055**	**82,981**	**47,379**	**64,426**
Unsecured Loans							
Stage 1		50,293	-	-	-	-	-
Stage 2		19,402	-	-	-	-	-
Stage 3		-	-	-	-	-	-
Total		**69,695**	**-**	**-**	**-**	**-**	**-**

Liquidity risk - Financial liabilities maturity analysis

Liquidity risk is the risk that the MFO will encounter difficulty in meeting obligations arising from its financial obligations. It refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match.

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

The following table provides an analysis of the remaining contractual maturities of the MFO financial assets and liabilities as at 31 December 2022:

	Less than 1 year	1 Year to 3 years	3 years to 5 years	Over 5 years	TOTAL
Financial assets					
Cash and cash equivalents	570,109	-	-	-	570,109
Loan to customers	261,567	184,666	208,410	2,422,452	3,077,096
Total financial assets	**831,676**	**184,666**	**208,410**	**2,422,452**	**3,647,205**
Financial Liabilities					
Lease Liabilities	9,262	22,434	28,883	59,613	120,192
Total financial liabilities	**9,262**	**22,434**	**28,883**	**59,613**	**120,192**
LIQUDITY GAP	**822,414**	**162,232**	**179,527**	**2,362,840**	**3,527,013**
Accumulated liquidity GAP	**822,414**	**984,646**	**1,164,173**	**3,527,013**	**-**

The following table provides an analysis of the remaining contractual maturities of the MFO financial assets and liabilities as at 31 December 2021:

	Less than 1 year	1 Year to 3 years	3 years to 5 years	Over 5 years	TOTAL
Financial assets					
Cash and cash equivalents	479,013	-	-	-	**479,013**
Loan to customers	438,378	282,818	155,089	2,114,124	**2,990,409**
Total financial assets	**917,391**	**282,818**	**155,089**	**2,114,124**	**3,469,422**
Financial Liabilities					
Lease Liabilities	8,163	19,772	25,455	74,966	128,356
Total financial liabilities	**8,163**	**19,772**	**25,455**	**74,966**	**128,356**
LIQUDITY GAP	**909,228**	**263,046**	**129,634**	**2,039,158**	**3,341,066**
Accumulated liquidity GAP	**909,228**	**1,172,274**	**1,301,908**	**3,341,066**	**-**

Interest rate risk

The MFO takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.
The MFO monitors interest rates for its financial instruments. The table below summarizes interest rates based on reports reviewed by key management personnel:

	2022		2021	
%	GEL	USD	GEL	USD
Financial assets				
Demand deposit	2%	0.5-1%	2%	0.5-1%
Loans to customers	12%-30%	24%-27%	18%-36%	24%-27%

The MFO has demand deposit in banks. The ending balance on deposit is amount 554,403 GEL (2021: 408,293). The interest rate of the said deposits is fixed during the contractual term.

Interest Rate risk is not significant for MFO.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The MFO’s exposure to the risk of changes in foreign exchange rates relates primarily to the MFO’s operating activities (when revenue or expense is denominated in a different currency from the MFO’s functional currency) and the MFO’s financial liabilities denominated in foreign currencies.
The MFO does not hedge its exposure to currency risk.

Financial assets by currency

Financial assets as at 31 December 2022 are analysed by currency as follows:

	Cash and cash equivalents	Loan to customers	Total
GEL	446,095	3,782,500	4,228,595
USD	124,014	24,377	148,391
Total	**570,109**	**3,806,877**	**4,376,986**

Financial assets as at 31 December 2021 are analysed by currency as follows:

	Cash and cash equivalents	Loan to customers	Total
GEL	388,001	3,422,406	3,810,407
USD	91,012	64,947	155,959
Total	**479,013**	**3,487,353**	**3,966,366**

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	31-Dec-22
	Impact on profit or loss
US Dollars strengthening by 10%	29,678
US Dollars weakening by 10%	(29,678)

	31-Dec-21
	Impact on profit or loss
US Dollars strengthening by 10%	15,596
US Dollars weakening by 10%	(15,596)

Other than as a result of any impact on the MFO’s profit or loss, there is no other impact on the MFO’s equity as a result of such changes in exchange rates. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the MFO. The company doesn’t have significant exposure to foreign currency risk.

24. Capital Management

The main objective of capital management is to monitor and maintain, at all times, an appropriate level of capital which is commensurate with the MFO’s risk profile.

The MFO calculates its capital adequacy ratio.

Due to the NBG command N143/04 dated 5 July, 2018 which defines MFO’s minimum level of supervisory capital as 500,000 GEL as at 31 December 2018, and GEL 1,000,000 as at 30 June 2019. The requirements imposed by the National Bank of Georgia regarding the ratios are as follows:

		31 December 2022
Ratio	**Threshold by NBG**	**MFO’s Presented Ratios**
Equity Ratio	Minimum 18%	98.23%
Liquidity Ratio	Minimum 18%	6206.80%
Property Investment Ratio	Maximum 40%	1.31%
Insider Credit Ratio	Maximum 15%	0.14%

As of December 31, 2022, MFO meets all the requirements of the National Bank of Georgia.

25. Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

As at 31 December 2021 and 2020 the following shareholders owned the issued shares of the MFO:

	Ownership, %	
	31 December 2022	**31 December 2021**

Anastasia tavkhelidze	33 %	33 %
Elisabed Amirejibi	33 %	33 %
Aleqsandre Amirejibi	34 %	34 %
Total	**100.00**	**100.00**

The following table illustrates the transactions with the related parties during the period as of 31 December 2022 and 31 December 2021:

AMOUNT OF TRANSACTIONS	**2022**	**2021**
Interest income	-	1,770
Interest expense	15,837	16,806
Right of use assets	8,694	8,694

OUTSTANDING BALANCES	**31 December 2022**	**31 December 2021**
Right of use asset	69,544	95,634
Lease liability	120,193	128,356

Key Management Compensations	**2022**	**2021**
Salaries and Bonuses	68,800	68,800

27. Events after reporting period

The amount of dividends declared after the reporting period amounted to 300,000 GEL, which was distributed among the owners as of the date of signing.