MFO “GIC” JSC

Financial Statements and
Independent Auditor’s Report
For the year ended 31 December 2023

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Financial Statements

INDEPENDENT AUDITOR’S REPORT

To the shareholders and supervisory board of MFO „GIC” JSC

Opinion

We have audited the accompanying financial statements of MFO “GIC” JSC, which comprise the statement of financial position as on 31 December 2023 and the statement of profit and loss and other 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 (hereinafter - financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as on 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard (the IFRS Standard).

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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Company’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 2023.

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 nothing to report in this regard.

We have performed certain procedures needed to form a conclusion on the compliance of the Company’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 13 June, 2024.

RSM

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INDEPENDENT AUDITOR'S REPORT

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

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

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

Those Charged with Governance is responsible for supervision of preparation and presentation of financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- 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 Those Charged with Governance of the Company, 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 13, 2024

RSM Georgia

(Reg. # SARAS-F-279563)

Engagement Partner: Ali Murtza

(Reg. # SARAS-A-577214)

RSM

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Rsm Georgia

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023	2022
Interest income	4	878,079	862,599
Interest expense	4	(14,739)	(15,837)
Net interest income		**863,340**	**846,762**
Loan impairment charge	14	(87,789)	(232,836)
Net interest income after the loan impairment charge		**775,551**	**613,926**
Net fee and commission income	5	19,302	18,433
Other operating expenses	6	(565,178)	(560,062)
Net foreign gain/(loss)	7	(5,326)	(20,746)
Other non-operating income	8	178,869	169,505
Profit/(loss) before tax		**403,218**	**221,056**
Current income tax	9	(52,274)	(59,294)
Net profit		**350,944**	**161,762**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**350,944**	**161,762**

Approved for issue and signed on behalf of the Management on 13 June, 2024

Vakhtang Magradze	General Director	______________________
Tsiuri Turmanidze	Chief Accountant	______________________

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Vakhtang Magradze	General Director	3. 2
Tsiuri Turmanidze	Chief Accountant	

STATAMENT OF FINANCIAL POSITION AT THE END OF 31 DECEMBER 2023

	Note	31 December 2023	31 December 2022
Assets			
Property, plant and equipment	10	24,635	20,272
Right of use asset	11	60,850	69,544
Investment property	12	213,789	38,769
Intangible assets	13	33,316	39,136
Tax assets		20,966	-
Issued loans	14	2,893,940	3,077,096
Cash and cash equivalents	15	403,673	570,109
Deferred income tax asset	16	11,094	406
Other assets	17	19,960	36,538
Total assets		**3,682,223**	**3,851,870**
Equity and liabilities			
Equity			
Paid in capital	18	2,497,100	2,497,100
Additional capital	18	676,818	676,818
Retained earnings		370,812	536,219
Total equity		**3,544,730**	**3,710,137**
Liabilities			
Lease liability	19	110,934	120,194
Other liabilities		26,559	12,812
Tax liabilities		-	8,727
Total liabilities		**137,493**	**141,733**
Total equity and liabilities		**3,682,223**	**3,851,870**

Approved for issue and signed on behalf of the Management on 13 June, 2024

Vakhtang Magradze	General Director	______________________________
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Vakhtang Magradze	General Director	
Tsiuri Turmanidze	Chief Accountant	

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Additional capital	Paid in capital	Retained earnings	Total equity
Balance as on 1st of January 2022	**18**	**2,497,100**	**676,818**	**446,043**	**3,619,961**
Profit for the year		-	-	161,762	161,762
Dividends Paid		-	-	(71,586)	(71,586)
Balance as on 31 of December 2022	**18**	**2,497,100**	**676,818**	**536,219**	**3,710,137**
Profit for the year		-	-	350,944	350,944
Dividends Paid		-	-	(516,351)	(516,351)
Balance as on 31 of December 2023	**18**	**2,497,100**	**676,818**	**370,812**	**3,544,730**

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Vakhtang Magradze — General Director

Tsiuri Turmanidze — Chief Accountant

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023	2022
Cash flows from operating activities			
Profit before tax for the year:		**403,218**	**221,056**
Adjustments:			
Loan impairment charge	14	87,789	232,836
Depreciation and amortization	10,11,12,14	31,797	15,201
Net foreign gain/(loss)	7	5,326	20,746
Interest expense	19	14,739	15,837
Interest income	4	(878,079)	(862,599)
Operating profit before changes in operating assets and liabilities		**(335,210)**	**(356,923)**
(Increase)/decrease in operating assets:			
Issued loans		175,124	(317,645)
Other assets		16,578	46,448
Tax assets		(20,966)	(6,838)
Increase/(decrease) in operating liabilities:			
Other liabilities		13,747	(36,026)
Net cash used in operating activities before income tax		**(150,727)**	**(670,984)**
Income tax paid		(59,525)	-
Interest received		813,902	854,458
Net cash used in operating activities		**603,650**	**183,474**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets	13	(5,020)	(1,133)
Purchases of investment property	12	(220,255)	10,102
Net cash used in investing activities		**(225,275)**	**8,969**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of the lease liability	19	(24,000)	(24,000)
Dividneds Paid	18	(516,351)	(71,586)
Net cash used in financing activities		**(540,351)**	**(95,586)**
CASH AND CASH EQUIVALENTS			
Effect of exchange rate changes on cash and cash equivalents	7	(4,460)	(5,761)
Net increase/(decrease) during the year		**(166,436)**	**91,096**
As on 1st of January	15	**570,109**	**479,013**
As on 31 of December	15	**403,673**	**570,109**

Approved for issue and signed on behalf of the Management on 13 June, 2024

Vakhtang Magradze	General Director	______________________
Tsiuri Turmanidze	Chief Accountant	______________________

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Vakhtang Magradze — General Director

Tsiuri Turmanidze — Chief Accountant

1. Reporting Entity

General information

Microfinance organization "GIC" JSC is registered legal entity with the identification number - 205288829 is operating under the laws of Georgia. (The date of incorporation is 2nd of October 2009).

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

The share capital of the company consists of 24,971 units of shares with the nominal value of 100 GEL. As on 31 December 2023 and 2022 the nominal value of share capital amounts 2,497,100 GEL.

Additional capital consists of the amount paid by the shareholders exceeding the nominal value of shares.

As on 31 December 2023 the company had 12 employees (2022: 12).

As on 31 December 2023, the owners of the shares of the company are as follows:

	31 December 2023	**31 December 2022**
Anastasia Tavkhelidze	33 %	33 %
Elisabed Amirejibi	33 %	33 %
Aleqsandre Amirejibi	34 %	34 %
	100%	**100 %**

2. Georgian Business Environment

MFO primarily operates within the territory of Georgia. Georgia's business landscape is marked by several structural deficiencies. It is a small, open economy country with a high level of dollarization, current account deficit, and increasing reliance on international financial resources. Consequently, the country's financial system is susceptible to global economic and financial trends. However, the management is confident that, given the current circumstances, it is implementing all necessary measures to safeguard the sustainability and growth of MFO's operations.

3. Basis of Preparation and Review of Significant Principles and Estimations of Accounting Policy

3.1 Basis of Preparation

These 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 2023.

The financial statements comprise a statement of profit or loss and other statement of 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 Basis

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).

3.2. Application of New and 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. The Company has not yet evaluated the impact of these new or amended accounting standards and interpretations.

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

Amendment to IFRS 16 – Leases on sale and leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. These new Accounting Standards and Interpretations will be applicable from the next reporting period. The anticipated effect of these new standards is not considered material for the company.

Amendment to IAS 1 – Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7 - Supplier finance

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Amendments to IAS 21 - Lack of Exchangeability

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The entity does not expect that any other standards issued by the IASC's, that have not yet entered into force will have a material impact on its financial statements.

3.4 Accounting Policies

Financial Instruments

Amortized 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
- Amortized 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:

- Amortized 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 amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. 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 amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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 amortized 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 recognized 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 period 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 loss (ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognizes 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 derecognized when the contractual 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.

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.

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Financial Liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized 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 lablilities 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 credit 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 recognized for the consideration received for the transfer. In subsequent periods, the Company recognizes any expense incurred on the financial liability, and
- Financial guarantee contracts and loan commitments.

Derecognition

Financial liabilities are derecognized 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 financial 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 recognized 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 amortized over the remaining term of the modified liability.

Cash and cash equivalents

Cash and cash equivalents include bank balances and other short-term liquid investments, which are easily converted in exchange of cash and are subject to an insignificant risk of changes in value.

Provisions and contingencies

Provisions are recognized 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 recognized as interest expense. Provisions are not recognized for future operating losses. Contingent assets and contingent liabilities are not recognized.

Operations in foreign currency

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 recognized in profit or loss.

	Official currency rate of the National Bank of Georgia		
	USD	**EUR**	**GBP**
Exchange rate as on 31 December 2023	2.6894	2.9753	3.4228
Exchange rate as on 31 December 2022	2.7020	2.8844	3.2581
Average rate for the year ended 31 December 2023	2.6279	2.8416	3.2706
Average rate for the year ended 31 December 2022	2.9156	3.0792	3.2610

Property, Plant and Equipment

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

Depreciation is calculated using declining balance method, over its useful economic life as follows:

Buildings	5%
Computer equipment	20%
Office equipment	20%
Leasehold improvements	20%
Other PPE	20%

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 derecognized 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 recognized 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.

Intangible assets of MFO have predetermined useful life and mostly include capitalized computer software. Licenses of purchased computer software are capitalized specifically on purchased correspondent computer software and based on costs necessary for full operation.

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, using declining balance method with 15% rate of amortization.

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

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

Income tax is reflected in the financial statements in accordance with the legislation of Georgia adopted at the end of the reporting period, which includes current and deferred taxes, and is recognized in the profit-loss of the given year, unless it is recognized in other comprehensive income, because it is related to transactions recognized in other comprehensive income in the same or different periods.

Current tax is the amount expected to be paid to the tax authorities in respect of taxable profit for the current or prior periods. Taxable profits are based on calculations if the financial statements are authorized before the relevant tax returns are submitted. Taxes other than income tax are recorded in administrative and other operating expenses.

Deferred income tax is presented using the balance sheet liability method for tax loss carryforwards and temporary differences arising between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. In accordance with the exception on initial recognition, deferred taxes are not recognized in a transaction (that is not a combination) in respect of temporary differences arising from the initial recognition of assets and liabilities if the transaction, on initial recognition, would not affect accounting profit or taxable profit.

Lease liability

At the commencement date of the lease, the MFO recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate predetermined by the agreement, if the interest rate is easily observable. Otherwise, lessee is using incremental borrowing rate.

As of the commencement date of the lease term, the lease payments to be considered in the assessment of the lease liability include the following types of payments related to the right to use the leased asset during the lease term, which have not been made as of the commencement date of the lease term: 1) fixed payments, excluding incentive lease payments received; 2) index or rate-dependent variable lease payments that are initially estimated using an index or rate as of the lease term commencement date; 3) amounts that the lessee is expected to pay under residual value guarantees; 4) the price of the purchase option, if it is sufficiently certain that the lessee will exercise this right; 5) payment of penalties for early termination of the lease, if the lease term reflects the exercise of the right of choice by the lessee to terminate the lease early.

After the start date of the lease term, the lessee evaluates the lease liability as follows: 1) increases the carrying amount to reflect the interest related to the lease liability; 2) reduces the balance sheet value in order to reflect the lease payments made; 3) re-evaluates the carrying amount to reflect the result of the revaluation, or lease modifications, or revised (corrected) essentially fixed lease payments. When the lease liability is revalued, the right-of-use asset is adjusted, and if the right-of-use asset is fully written off, the difference is reflected in the statement of profit/(loss).

Share Capital

Equity instruments are contracts that confirm the right to a share in Miso's assets after deducting all of its liabilities. Common stock with discretionary dividends is classified as equity.

Additional costs directly related to the issuance of new shares are reflected in equity with a negative sign, net of taxes. The positive difference between the fair value and the nominal value of the amount received in exchange for the issued share is recorded as issue proceeds.

Dividend Distribution

Dividends are recognized in equity during the period when they are declared. The dividends declared after the reporting date and issuance of financials statements are disclosed in the notes to the financial statement – events after the reporting period.

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 recognized 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 formulas 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 amortization 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 amortization 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.

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

	2023	2022
Interest income		
Interest income from loans issued to individuals	871,948	853,000
Interest income from deposits at banks	6,131	9,599
Total interest income	**878,079**	**862,599**
Interest expenses		
Interest expense on lease liability	(14,739)	(15,837)
Total interest expense	**(14,739)**	**(15,837)**
Net interest income	**863,340**	**846,762**

Interest rate on deposits in GEL is 2% per annum and in USD between 0.5% and 1% per annum. Interest rate on deposits are variable.

Interest rate on issued loans in GEL is between 12% and 34% per annum and in USD is between 27% and 28% per annum.

5. Net fee and commission income

	2023	2022
Fee and commission income		
Commission income	80,527	73,069
Total fee and commission income	**80,527**	**73,069**
Fee and commission expenses		
Commission expenses	(61,225)	(54,636)
Total fee and commission expenses	**(61,225)**	**(54,636)**
Net fee and commission income	**19,302**	**18,433**

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

	2023	2022
Employee salaries and benefits	482,518	481,000
Audit Fee	23,000	22,821
Depreciation and amortisation	23,103	14,119
Operating taxes	2,486	12,851
Other operating expenses	16,825	10,248
Right-of-use asset depreciation	8,694	8,694
Utility expenses	7,294	8,002
Consultation expenses	1,258	2,327
Total Operating Expenses	**565,178**	**560,062**

7. Net foreign gain/(loss)

	2023	2022
Cash and cash equivalents	(4,460)	(14,489)
Issued loans	(904)	(6,263)
Other liabilities	38	6
Net foreign gain/(loss)	**(5,326)**	**(20,746)**

8. Other non-operating income

	2023	2022
Penalties on loans to individuals	140,858	166,691
Other non-operating income	38,011	2,814
Total other non-operating income	**178,869**	**169,505**

Penalties on loans to individuals have been totally received during the reporting period.

9. Current Income Tax

	2023	2022
Current income tax	(62,962)	(59,374)
Deferred income tax (expense)/benefit	10,688	80
Total Income Tax	**(52,274)**	**(59,294)**

Income tax reconciliation	**2022**	**2022**
Profit before tax	403,218	221,056
Income tax 15%	(60,483)	(33,158)
Adjustments:		
Permanent difference	(2,479)	(26,216)
Temporary difference	10,688	80
Income tax charge for the year	**(52,274)**	**(59,294)**

10. Property, Plant and Equipment

	Computer Equipment	Office Equipment	Leasehold improvement	Other	Total
Cost					
1 January 2022	**98,398**	**10,277**	**7,864**	**23,246**	**139,785**
Purchase	-	-	-	-	-
Disposal	-	-	-	-	-
31 December 2022	**98,398**	**10,277**	**7,864**	**23,246**	**139,785**
Purchase	-	10,160	-	-	10,160
Disposal	-	-	-	-	-
31 December 2023	**98,398**	**20,437**	**7,864**	**23,246**	**149,945**
Depreciation					
1 January 2022	**(79,672)**	**(9,931)**	**(6,790)**	**(18,445)**	**(114,838)**
Depreciation charge	(3,745)	(146)	(516)	(268)	(4,675)
31 December 2022	**(83,417)**	**(10,077)**	**(7,306)**	**(18,713)**	**(119,513)**
Depreciation charge	(5,028)	(117)	(214)	(438)	(5,797)
31 December 2023	**(88,445)**	**(10,194)**	**(7,520)**	**(19,151)**	**(125,310)**
Net Book Value					
1 January 2022	**18,726**	**346**	**1,074**	**4,801**	**24,947**
31 December 2022	**14,981**	**200**	**558**	**4,533**	**20,272**
31 December 2023	**9,953**	**10,243**	**344**	**4,095**	**24,635**

Property, plant and equipment are not collateralized. The MFO does not have fully depreciated PPE.

11. Right of Use Asset

	Office Space	Total
Right of Use Asset		
1 January 2022	**173,872**	**173,872**
Addition	-	**-**
31 December 2022	**173,872**	**173,872**
Addition	-	-
31 December 2023	**173,872**	**173,872**
Depreciation		
1 January 2022	**(95,634)**	**(95,634)**
Depreciation Charge	(8,694)	**(8,694)**
31 December 2022	**(104,328)**	**(104,328)**
Depreciation Charge	(8,694)	**(8,694)**
31 December 2023	**(113,022)**	**(113,022)**
Net Book Value		
1 January 2022	**78,238**	**78,238**
31 December 2022	**69,544**	**69,544**
31 December 2023	**60,850**	**60,850**

Right of use asset represents the rental of office space. The maturity of the agreement is determined to be 20 years.

12. Investment Property

	land	Buildings	Total
Cost			
1 January 2022	**38,769**	**71,648**	**110,417**
Purchase	-	-	-
Disposal	-	(5,508)	(5,508)
31 December 2022	**38,769**	**66,140**	**104,909**
Purchase	**-**	220,255	220,255
Disposal	(38,769)	**-**	(38,769)
31 December 2023	**-**	**286,395**	**286,395**
Depreciation			
1 January 2022	**-**	**(66,620)**	**(66,620)**
Depreciation charge	-	(3,828)	(3,828)
Disposal		480	480
31 December 2022	**-**	**(66,140)**	**(66,140)**
Depreciation charge	**-**	(6,466)	(6,466)
31 December 2023	**-**	**(72,606)**	**(72,606)**
Net Book Value			
1 January 2022	**38,769**	**5,028**	**43,797**
31 December 2022	**38,769**	**-**	**38,769**
31 December 2023	**-**	**213,789**	**213,789**

MFO does not generate rental income from investment properties, rather they are designed for capital appreciation purposes. The assets are transferred on the name of MFO from the defaulted loans collateralized with real estate.

The buildings include appartments in the city of Tbilisi, on following addresses: Zgvisubani District, Moscow avenue and Varketili 2nd District.

13. Intangible Assets

	Computer Software	Total
Cost		
1 January 2022	**147,759**	**147,759**
Purchase	1,132	1,132
31 December 2022	**148,891**	**148,891**
Purchase	5,020	5,020
31 December 2023	**153,911**	**153,911**
Amortization		
1 January 2022	**(102,849)**	**(102,849)**
Amortization charge	(6,906)	(6,906)
31 December 2022	**(109,755)**	**(109,755)**
Amortization charge	(10,840)	(10,840)
31 December 2023	**(120,595)**	**(120,595)**
Net Book Value		
1 January 2022	**44,910**	**44,910**
31 December 2022	**39,136**	**39,136**
31 December 2023	**33,316**	**33,316**

Intangible assets of MFO consists of accounting software “Alta” and Antivirus licensees. The company does not have collateralized intangible assets.

14. Issued Loans

	31 December 2023	31 December 2022
Loans to individuals – collateralized	3,376,113	3,355,920
Loans to individuals – uncollateralized	67,257	52,956
Loans to companies – collateralized	208,778	398,001
Loans to companies – uncollateralized	100,157	-
Minus: Provision for loan impairment	(858,365)	(729,781)
Total Issued Loans	**2,893,940**	**3,077,096**

Issued loans according to category:

	31 December 2023	31 December 2022
Category 1 -Trade and Services	853,089	841,053
Category 2 – Consumer Loan	2,097,073	2,916,854
Category 7 – Purchase of Real Estate	34,575	-
Category 8 – Refinancing	763,695	3,752
Category 9 – Personal Expenses	2,007	14,474
Category 10 - Other	1,866	30,744
Total Issued Loans	**3,752,305**	**3,806,877**
Minus: Provision for loan impairment	(858,365)	(729,781)
Net Issued Loans	**2,893,940**	**3,077,096**

Below table presents movement of the loan impairment reserve as on 31 December 2023:

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	**87,239**	**577,097**	**65,445**	**729,781**
New Loans	40,972	62,475	-	**103,447**

Changes in reserve for the issued loans in prior years	5,646	175,939	169,657	**351,242**
Transfer to I Stage	367	(367)	-	**-**
Transfer II Stage	(13,461)	13,461	-	**-**
Transfer III Stage	-	(118,035)	118,035	**-**
Repaid Loans	(47,082)	(224,781)	(54,242)	**(326,105)**
Balance at the end	**73,681**	**485,789**	**298,895**	**858,365**

Below table presents movement of the loan impairment reserve as on 31 December 2022:

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	**40,460**	**368,369**	**88,116**	**496,945**
New Loans	62,737	122,164	2,923	**187,824**
Changes in reserve for the issued loans in prior years	661	205,158	53,492	**259,311**
Transfer to I Stage	(12,592)	12,592	-	**-**
Transfer II Stage	(2,442)	14,529	(12,087)	**-**
Transfer III Stage	-	10,383	(10,383)	**-**
Repaid Loans	(1,585)	(156,098)	(56,616)	**(214,299)**
Balance at the end	**87,239**	**577,097**	**65,445**	**729,781**

Below table presents the movement of the balances of loans as on 31 December 2023:

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	**1,796,187**	**1,897,872**	**112,818**	**3,806,877**
New Loans	1,016,460	149,268	-	**1,165,728**
Changes in balances for the issued loans in prior years	310,479	410,939	207,237	**928,655**
Transfer to I Stage	9,514	(9,514)	-	**-**
Transfer II Stage	(75,058)	75,058	-	**-**
Transfer III Stage	-	(118,035)	118,035	**-**
Repaid Loans	(1,203,633)	(873,501)	(71,821)	**(2,148,955)**
Balance at the end	**1,853,949**	**1,532,087**	**366,269**	**3,752,305**

Below table presents the movement of the balances of loans as on 31 December 2022:

	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	**995,238**	**2,380,310**	**111,806**	**3,487,354**
New Loans	784,346	914,248	5,219	**1,703,813**
Changes in balances for the issued loans in prior years	(77,090)	(106,000)	(2,005)	**(185,095)**
Transfer to I Stage	(56,781)	56,781	-	**-**
Transfer II Stage	(61,031)	78,507	(17,476)	**-**
Transfer III Stage	-	(72,723)	72,723	**-**
Repaid Loans	211,505	(1,353,251)	(57,449)	**(1,199,195)**
Balance at the end	**1,796,187**	**1,897,872**	**112,818**	**3,806,877**

Foreign currency effects are disclosed in note 7.
The economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2023		31 December 2022	
Collateralized with real estate	3,584,891	96%	3,753,922	99%
uncollateralized	167,414	4%	52,955	1%

Total Issued Loans before impairment	**3,752,305**	**100%**	**3,806,877**	**100%**

15. Cash and Cash Equivalents

	31 December 2023	31 December 2022
Cash on hand	-	-
Cash in bank	16,135	15,705
Deposits	387,538	554,403
Total Cash and Cash Equivalents	**403,673**	**570,109**

Interest income from deposits during the reporting period amounted 6,131 GEL (2022: 9,599 GEL).

Foreign currency effects are disclosed in note 7.

16. Deferred Income Tax Asset

	31 December 2023	31 December 2022
Deferred tax asset	19,252	18,029
Deferred tax liability	(8,158)	(17,624)
Net Balance	**11,094**	**406**

	Other comprehensive income	Profit or loss	Total
As on 1 January 2022	**-**	**326**	**326**
Right of use asset	-	1,304	1,304
Lease liability	-	(1,224)	(1,224)
Property, plant and equipment	-	-	-
As on 31 December 2022	**-**	**406**	**406**
Right of use asset	-	1,304	1,304
Lease liability	-	(1,389)	(1,224)
Property, plant and equipment	-	10,773	10,773
As on 31 December 2023	**-**	**11,094**	**11,094**

17. Other Assets

	31 December 2023	31 December 2022
Receivables from TBC Pay	7,994	5,534
Prepaid expenses	11,966	31,004
Total Other Assets	**19,960**	**36,538**

18. Share Capital

The share capital of the company consists of 24,971 units of shares with the nominal value of 100 GEL. As on 31 December 2023 and 2022 the nominal value of share capital amounts 2,497,100 GEL. Additional capital consists of the amount paid by the shareholders exceeding the nominal value of shares.

Number of shares per each year is as follows:

Description	Number of issued shares	Ordinary Shares	Nominal Value	Total
As on 31 December 2023	24,971	24,971	100	**2,497,100**
As on 31 December 2022	24,971	24,971	100	**2,497,100**

During the reporting period the MFO has declared and issued dividends in the amount of 516,351 GEL (2022: 71,586 GEL).

19. Lease Liability

	31 December 2023	31 December 2022
Long-term lease liability	100,424	110,931
short-term lease liability	10,510	9,263
Total Lease Liability	**110,934**	**120,194**

The movement of lease liability is presented in below table:

The balance as on 1 January 2022	**128,358**
Lease liability payments	(24,000)
Interest expense	15,837
The balance as on 31 December 2022	**120,194**
Lease liability payments	(24,000)
Interest expense	14,739
The balance as on 31 December 2023	**110,934**

MFO has rented commercial space for office purposes, the maturity date of agreement is 20 years. The agreement was signed in March 2011.

The interest rate is not presented in rental agreement, therefore the MFO has used incremental borrowing rate, based on the statistical information of NBG between the periods of 2011 and 2019, which amounts 12.7%.

lease liability maturity analysis	31 December 2023	31 December 2022
less than 1 year	10,510	9,263
1 to 5 years	89,914	51,318
more than 5 year	10,510	59,613
Total	**110,934**	**120,194**

20. Contingent Liabilities and Commitments

As on 31 December 2023 and 2022 the company does not have contingent liabilities and commitments.

21. Fair Value 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.

The net book value of financial assets and liabilities does not differ significantly from their fair value.

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:

	2023			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD			
	1 level	2 level	3 level	Total
Financial assets				

Cash and cash equivalents	403,673	-	-	**403,673**
Issued loans	-	-	2,893,940	**2,893,940**
Other financial assets	-	-	7,994	**7,994**
Total Financial Assets	**403,673**	**-**	**2,901,934**	**3,305,607**
Financial Liabilities				
Lease liability	-	-	110,934	**110,934**
Other liabilities	-	-	26,559	**26,559**
Total Financial Liabilities	**-**	**-**	**137,493**	**137,493**

	2022			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD			
	1 level	**2 level**	**3 level**	**Total**
Financial assets				
Cash and cash equivalents	570,109	-	-	**570,109**
Issued loans	-	-	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 liability	-	-	120,194	**120,194**
Other liabilities			12,812	**12,812**
Total Financial Liabilities	**-**	**-**	**133,006**	**133,006**

22. 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

Management of the MFO manages risks by cooperation with operating units.

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

	31 December 2023	**31 December 2022**
Financial assets		
Cash and cash equivalents	403,673	570,109
Issued loans	2,893,940	3,077,096
Other financial assets	7,994	5,534
Total Financial Assets	**3,305,607**	**3,652,739**
Financial Liabilities		
Lease liability	110,934	120,194
Other liabilities	26,559	12,812
Total Financial Liabilities	**137,493**	**133,006**

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 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 have 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 table represents the MFO's policy in respect to the impairment of financial instruments.

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

Below table represents the loan impairment percentages according to loan type and category. Most part of issued loans are collateralized, however the MFO does not take into calculation value of collaterals and ECL are recognized based on the matrix bellow:

Loan type/category	2023					
	Category 1	Category 2	Category 7	Category 8	Category 9	Category 10
Collateralized	4%	4%	4%	4%	4%	4%
Uncollateralized	5%	5%	5%	5%	5%	5%
1-30 Overdue	16%	35%	10%	17%	10%	10%
31-60 Overdue	31%	45%	11%	24%	11%	11%
61-90 Overdue	32%	50%	15%	28%	16%	13%
91-180 Overdue	32%	57%	20%	31%	16%	15%
Overdue 180 and more	100%	100%	100%	100%	100%	100%

Loan type/category	2022					
	Category 1	Category 2	Category 7	Category 8	Category 9	Category 10
Collateralized	5%	5%	5%	5%	5%	5%
Uncollateralized	6%	6%	6%	6%	6%	6%
1-30 Overdue	18%	33%	7%	16%	10%	10%
31-60 Overdue	33%	45%	8%	23%	11%	11%
61-90 Overdue	33%	51%	13%	28%	17%	13%
91-180 Overdue	33%	56%	17%	32%	17%	16%
Overdue 180 and more	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 – Trade and Services
Category 2 – Consumer loans
Category 7 – Purchase of real estate
Category 8 - Refinancing
Category 9 – Personal expenses
Category 10 - Other

Categories in case of overdue days:

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

Categories when there are no overdue days:
A – Collateralized Loans
B – Uncollateralized Loans
Default category is 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 compliance with relevant regulations taking into account the 90 days past due cap presumption IFRS 9. Loans under watch are represented by D1 Category. Loans under the category D1 and D2 are represented in Stage 3 – Lifetime expected credit loss – credit risk impaired. 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 and PPI.

Below table represents the information in respect to credit quality of issued loans to customers as on 31 December 2023:

31 December 2023	**Current**	**1-30 Overdue**	**31-60 Overdue**	**61-90 Overdue**	**91-180 Overdue**	**Overdue >180**
Cash and cash equivalents	403,673	-	-	-	-	-
Issued Loans						
Collateralized:						
Stage 1	1,698,325	-	-	-	-	-
Stage 2	-	1,252,623	206,611	68,119	-	-
Stage 3	-	-	-	-	155,529	203,684
Total	**2,101,998**	**1,252,623**	**206,611**	**68,119**	**155,529**	**203,684**
Uncollateralized:						
Stage 1	155,624	4,734	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	7,056
Total	**155,624**	**4,734**	**-**	**-**	**-**	**7,056**

Below table represents the information in respect to credit quality of issued loans to customers as on 31 December 2022:

31 December 2022	**Current**	**1-30 Overdue**	**31-60 Overdue**	**61-90 Overdue**	**91-180 Overdue**	**Overdue >180**
Cash and cash equivalents	570,109	-	-	-	-	-
Issued Loans						
Collateralized:						
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**
Uncollateralized:						
Stage 1	36,302	-	-	-	-	-
Stage 2	-	12,644	-	-	-	-
Stage 3	-	-	-	-	-	4,010
Total	**36,302**	**12,644**	**-**	**-**	**-**	**4,010**

Liquidity Risk – Maturity Analyses of Financial Liabilities

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 2023:

	< 1 Year	From 1 to 3	From 3 to 5	> 5 year	Total
Financial Assets					
Cash and cash equivalents	403,673	-	-	-	403,673
Issued Loans	112,924	141,187	135,140	2,504,689	2,893,940
Total Financial Assets	**516,597**	**141,187**	**135,140**	**2,504,689**	**3,297,613**
Financial Liabilities					
Lease Liability	10,510	44,957	44,957	10,510	110,934
Other Liabilities	26,559	-	-		26,559
Total Financial Liabilities	**37,069**	**44,957**	**44,957**	**10,510**	**137,493**
Liquidity GAP	**479,528**	**96,230**	**90,183**	**2,494,179**	**3,160,120**
Accumulated Liquidity GAP	**479,528**	**575,758**	**665,941**	**3,160,120**	

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

	< 1 Year	From 1 to 3	From 3 to 5	> 5 year	Total
Financial Assets					
Cash and cash equivalents	570,109	-	-	-	570,109
Issued Loans	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 Liability	9,262	22,434	28,883	59,613	120,192
Other Liabilities	12,812	-	-	-	12,812
Total Financial Liabilities	**22,074**	**22,434**	**28,883**	**59,613**	**133,004**
Liquidity GAP	**809,602**	**162,232**	**179,527**	**2,362,840**	**3,514,201**
Accumulated Liquidity GAP	**809,602**	**971,834**	**1,151,361**	**3,514,201**	

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:

	2023		2022	
	GEL	USD	GEL	USD
Financial Assets				
Deposits	2%	0.5-1%	2%	0.5-1%
Issued Loans	12%-34%	27%-28%	12%-30%	24%-27%

The MFO has deposits in local commercial banks, the balance of which as on 31 December 2023 is 387,538 GEL (2022: - 554,404 GEL). Interest rates on deposits is fixed during the maturity of deposit agreement.

Interest Rate risk for MFO is not significant.

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 on 31 December 2023 are analysed by currency as follows:

	Cash and cash equivalents	Issued loans	Total
GEL	340,892	3,735,482	4,076,374
USD	62,781	16,823	79,604
Total	**403,673**	**3,752,305**	**4,155,978**

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

	Cash and cash equivalents	Issued loans	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**

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 December 2023
	Impact on profit or loss
USD Increase by 10%	15,921
USD Decrease by 10%	(15,921)

	31 December 2022
	Impact on profit or loss
USD Increase by 10%	29,678
USD Decrease by 10%	(29,678)

Other than changes in foreign exchange rates no factor is influencing MFO’s capital. The calculations are done only for the balances in foreign currency, which are different from MFO’s functional currency. The company does not have significant foreign currency risk.

23. Capital Management

The goal of MFO in respect to capital management is to ensure shareholders with sufficient financial resources and to meet the legal requirements.

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:

As of 31 December 2023, and 2022, the MFO is in compliance with the requirements set by NBG.

		31 December 2023
Ratios	**Requirement**	**Presented Ratio**
Equity Ratio	Minimum 18%	97%
Liquidity Ratio	Minimum 18%	2678%
Property Investment Ratio	Maximum 40%	6.73%
Insider Credit Ratio	Maximum 15%	0.00%

		31 December 2022
Ratios	**Requirement**	**Presented Ratio**
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%

24. Related Party Transactions

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 2023 and 2022 the following shareholders owned the issued shares of the MFO:

	31 December 2023	**31 December 2022**
Anastasia Tavkhelidze	33 %	33 %
Elisabed Amirejibi	33 %	33 %
Aleqsandre Amirejibi	34 %	34 %
	100 %	**100 %**

The following table illustrates the transactions with the related parties during the period as of 31 December 2023 and 31 December 2022:

	2023	2022
AMOUNT OF TRANSACTIONS		
Interest expense	14,739	15,837
Right of use depreciation expense	8,694	8,694

OUTSTANDING BALANCES	2023	2022
Right of use asset	60,850	69,544
Lease liability	110,934	120,194

Below table illustrates key management compensations during 2023 and 2022 reporting periods:

	2023	2022
Key Management Compensations		
Salaries and Bonuses	68,800	68,800

25. Events After the Reporting Period

After the reporting period, the company declared dividends in the amount of 350,000 GEL, from which, till the date of issuance of report, 171,595 GEL dividend was distributed among shareholders.