Georgian Leasing Company LLC

Consolidated financial statements

For the year ended 31 December 2017
together with the independent auditor's report

Contents

Independent auditor's report

Consolidated financial statements

Consolidated statement of financial position 6
Consolidated statement of comprehensive income 7
Consolidated statement of changes in equity 8
Consolidated statement of cash flows 9

Notes to the consolidated financial statements

1. Principal activities 10
2. Basis of preparation 10
3. Summary of significant accounting policies 10
4. Significant accounting judgments and estimates 20
5. Cash and cash equivalents 20
6. Investment securities: available-for-sale 20
7. Finance lease receivables 21
8. Assets held for leasing purposes 22
9. Taxation 22
10. Property and equipment 24
11. Other assets 24
12. Loans payable 24
13. Debt securities issued 25
14. Changes in liabilities arising from financial activities 25
15. Equity 25
16. Other income 26
17. Other general and administrative expenses 26
18. Financial risk management 26
19. Maturity analysis of assets and liabilities 30
20. Related party transactions 31
21. Fair value measurement 32
22. Share-based payments 33
23. Investment property 34

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Independent auditor's report

To the Participant of Georgian Leasing Company LLC.

Opinion

We have audited the consolidated financial statements of Georgian Leasing Company LLC and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed this matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Allowance for impairment of financial lease receivables The allowance for impairment of finance lease receivables is estimated by the management through the application of judgement and use of assumptions. The allowance for impairment of finance lease receivables is calculated on collective and individual basis. Collective assessment is determined based on the statistical data of monthly write-offs made by the Company during the past years. Individual assessment is based on the discounted cash flow analysis which involves a high level of subjectivity and reliance on the management assumptions and assessment of collaterals. As a consequence, allowance for impairment for financial lease receivables was considered a key audit matter during our audit. The Group's disclosures on allowance for impairment of financial lease receivables are made in Note 7 of the consolidated financial statements.	In respect of allowance for impairment calculated on individual basis, we: • Analysed finance lease receivables and assessed whether events of impairment have been identified in respect of these receivables; • Analysed the assumptions made by management and compared underlying data used by management in estimating the impairment allowance to available external information; • Assessed information about the financial position of the lessees and valuation of the collaterals held. For collective impairment allowance, we: • Obtained an understanding of the methodology used by the Group to determine the collective allowance; • Assessed the underlying assumptions and data used by the management; • Assessed sensitivity of impairment allowance to changes in underlying data. We also assessed the disclosures made by the Group in respect of allowance for impairment of financial lease receivables.
Recognition of finance income from leases The Group's only revenue stream represents finance income from leases. Finance income from leases is recognized based on a pattern reflecting a constant periodic rate of return on the Group's net investment in finance lease. We identified the recognition of finance income from leases as a key audit matter because of its significance and sensitivity of the Group's financial results to any changes in the calculation of the of finance income from leases. The Group's disclosures on finance income from leases are made in Note 7 and Note 3 of the consolidated financial statements.	Our audit procedures in respect of finance income from leases included: • Evaluation of controls over the recording of finance income from leases; • Analysis of the calculations of finance lease income accruals and comparing data used in these calculations to underlying lease agreements and other supporting documents; • Analysis of finance lease portfolio and comparing changes in average monthly finance lease portfolio to fluctuations of monthly finance income.

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Other information included in the Group's Annual report

Other information consists of the information included in the Annual report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Participant for the financial statements

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

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

The Participant is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Participant 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.

We also provide the Participant with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the Participant, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Oleg Youshenkov.

Ruslan Khoroshvili
On behalf of EY Georgia LLC

Tbilisi, Georgia

23 April 2018

Consolidated statement of financial position

As at 31 December 2017

(Amounts in Georgian lari)

	Notes	2017	2016
Assets			
Cash and cash equivalents	5	1,178,041	675,959
Investment securities: available for sale	6	-	41,090
Finance lease receivables	7	45,423,587	32,611,586
Assets held for leasing purposes	8	9,445,992	11,156,115
Prepayments for assets held for leasing purposes		6,307,017	3,258,569
Property and equipment	10	412,583	34,893
Current income tax assets	9	-	632,468
Investment property	23	2,745,140	2,488,301
Other assets	11	694,263	259,665
Total assets		66,206,623	51,158,646
Liabilities			
Loans payable	12	20,178,770	17,728,932
Debt securities issued	13	26,150,848	26,904,767
Advances from customers		1,160,303	2,078,621
Taxes payable		130,656	434,203
Other liabilities		893,129	449,386
Total liabilities		48,513,706	47,595,909
Equity			
Charter capital		3,180,000	3,180,000
Additional paid-in capital		14,895,035	2,472,628
Accumulated losses		(249,578)	(2,104,062)
Other reserve		(132,540)	14,171
Total equity	15	17,692,917	3,562,737
Total liabilities and equity		66,206,623	51,158,646

Signed and authorized for release on behalf of the management on 23 April 2018:

Eldar Akhvlediani — Chief Executive Officer

Tinatin Kipiani — Chief Financial Officer

The accompanying notes from pages 10 to 34 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2017

(Amounts in Georgian lari)

	Notes	*2017*	*2016*
Interest income			
Finance income from leases		9,826,964	6,585,537
Investment securities: available-for-sale		-	18,880
Cash and cash equivalents		58,277	71,470
Interest expense			
Loans payable		(1,568,041)	(1,499,596)
Debt securities issued		(2,386,255)	(2,265,557)
Net interest income		**5,930,945**	**2,910,734**
Impairment charge for finance lease receivables	7	(712,129)	(458,806)
Net interest income after impairment charge for finance lease receivables		**5,218,816**	**2,451,928**
Income from penalties on finance lease receivables	7	669,059	984,930
Rent income from investment property		168,766	168,766
Net gain on revaluation of investment property		256,839	-
Net gain/(loss) from foreign currency translation		663,037	(408,630)
Other income	16	833,169	382,972
Operating income		**7,809,686**	**3,579,966**
Other general and administrative expenses	17	(3,761,201)	(2,191,109)
Salaries and other employee benefits		(1,207,696)	(1,042,611)
Write-off of assets held for leasing purposes		(986,305)	(749,153)
Operating expenses		**(5,955,202)**	**(3,982,873)**
Income (loss) before income tax expense		**1,854,484**	**(402,907)**
Income tax expense	9	-	(726,627)
Net Income (loss) for the year		**1,854,484**	**(1,129,534)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Unrealized gains on investment securities available-for-sale		-	14,171
Reclassification of realized gains on investment securities available-for-sale to profit or loss		(14,171)	(5,755)
Income tax effect		-	863
Other comprehensive (loss)/income for the year, net of tax		**(14,171)**	**9,279**
Total comprehensive income/(loss) for the year		**1,840,313**	**(1,120,255)**

The accompanying notes from pages 10 to 34 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

(Amounts in Georgian lari)

	Charter capital	*Additional paid-in capital*	*Other reserve*	*Accumulated losses*	*Total equity*
31 December 2015	**3,180,000**	**2,472,628**	**4,892**	**(974,528)**	**4,682,992**
Net loss for the year	–	–	–	(1,129,534)	**(1,129,534)**
Other comprehensive income for the year	–	–	9,279	–	**9,279**
31 December 2016	**3,180,000**	**2,472,628**	**14,171**	**(2,104,062)**	**3,562,737**
Net profit for the year	–	–	–	1,854,484	**1,854,484**
Contribution (Note 15)	–	12,347,906	–	–	**12,347,906**
Contributions under share-based compensation program (Note 22)	–	–	(132,540)	–	**(132,540)**
Share-based payments (Note 22)	–	74,501	–	–	**74,501**
Other comprehensive loss for the year	–	–	(14,171)	–	**(14,171)**
31 December 2017	**3,180,000**	**14,895,035**	**(132,540)**	**(249,578)**	**17,692,917**

The accompanying notes from pages 10 to 34 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

(Amounts in Georgian lari)

	Notes	2017	2016
Cash flows from operating activities			
Interest income received		9,750,676	6,312,040
Other income received		1,506,744	1,542,398
Interest paid		(2,842,656)	(3,574,872)
Other general and administrative expenses paid		(2,891,114)	(1,698,008)
Salaries and other employee benefits paid		(1,175,173)	(1,042,610)
Cash flows from operating activities before changes in operating assets and liabilities		**4,348,477**	**1,538,948**
(Increase) decrease in operating assets			
Finance lease receivables		(12,704,219)	(4,210,149)
Assets held for leasing purposes		723,818	(2,590,674)
Prepayments for assets held for leasing purposes		(3,032,147)	(1,181,364)
Other assets		(418,997)	(149,782)
Increase (decrease) in operating liabilities			
Advances from customers		(918,318)	175,058
VAT and other taxes payables		(303,547)	408,749
Other liabilities		456,812	(473,656)
Net cash used in operating activities		**(11,848,121)**	**(6,482,870)**
Cash flows from investing activities			
Purchase of property and equipment		(451,916)	-
Purchase of intangible assets		(49,397)	-
Sale of Investment Securities		-	1,923,721
Purchase of Investment Securities		-	(59,330)
Net cash used in investing activities		**(501,313)**	**1,864,391**
Cash flows from financing activities			
Debt securities issued		18,135,884	1,635,994
Debt securities purchased		(19,216,277)	-
Repayment of borrowings		(1,450,713)	-
Receipt of borrowings		14,920,229	1,475,403
Net cash from financing activities		**12,389,123**	**3,111,397**
Effect of exchange rate changes in cash and cash equivalents		462,393	(130,576)
Net increase (decrease) in cash and cash equivalents		**502,082**	**(1,637,658)**
Cash and cash equivalents, beginning	5	675,959	2,313,617
Cash and cash equivalents, ending	5	**1,178,041**	**675,959**

Non-cash transactions:

- In 2017 the Parent converted loans payable with carrying value of GEL 12,347,906 into the capital (Note 15). GEL 884,264 out of this amount represented outstanding accrued interest at the date of contribution;
- Accounts payables for purchases of property, plant and equipment amounted to GEL 16,374 as at 31 December 2016.

The accompanying notes from pages 10 to 34 are an integral part of these consolidated financial statements.

(Amounts in Georgian lari)

1. Principal activities

Georgian Leasing Company LLC (the "Company" or the "GLC") was established on 29 October 2001 in Georgia. Principal business activity is providing finance leases to companies and individuals within Georgia. On 31 April 2015 the Group purchased 100% share in Prime Leasing LLC from JSC Privat Bank Georgia, entity under common control, for a consideration of GEL 2,000.

As at 31 December 2017, GLC and its subsidiary (collectively referred to as a "Group") are wholly-owned by JSC Bank of Georgia (2016: JSC BG Financial). In July 2017 JSC Bank of Georgia (hereinafter "the Parent") purchased 100% share in the GLC from JSC BG Financial. JSC Bank of Georgia itself is wholly-owned by JSC BGEO Group. The ultimate parent and controlling party of the Group as of 31 December 2017 and 31 December 2016 was BGEO Group plc ("BGEO"), UK registered company, premium listed on London Stock Exchange

The Group's registered office is 3/5 Tatisvhili Street, Tbilisi, Georgia.

As of 31 December 2017 and 31 December 2016 the Group consisted of the Company and its 100% owned subsidiary – Prime Leasing LLC – which provides lease services in Georgia.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements are prepared on the basis that the Group will continue to be a going concern and will realize its assets and discharge its liabilities in the ordinary course of business.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The Group is organized into single operating segment – providing finance leases.

These financial statements are presented in Georgian lari ("GEL"), unless otherwise indicated.

Reclassifications

During the year ended 31 December 2017 the Group reconsidered presentation of its consolidated statement of financial position accounts for the purpose of more accurate presentation of Property and equipment. The presentation of comparative figures has been adjusted to confirm to the presentation of the current period amounts:

Consolidated statement of financial position	*As previously reported*	*Reclassification*	*As reclassified*
Other assets	294,558	(34,893)	259,665
Property and equipment	-	34,893	34,893

3. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

(Amounts in Georgian lari)

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

Subsidiary are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for Subsidiary have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognized in other comprehensive income to consolidated profit or loss.

Business combinations

Business combinations, including common control business combinations, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests either at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair value. Acquisition costs incurred are expensed. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, or loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortized cost using the effective interest method. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the consolidated profit or loss when the investments are impaired, as well as through the amortization process. Gains and losses are recognized in the consolidated profit or loss statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(Amounts in Georgian lari)

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any categories: financial assets at fair value through profit or loss, held to maturity investments and loans and receivables. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated profit or loss. However, interest calculated using the effective interest method is recognised in the consolidated profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and current accounts.

Finance lease receivables and finance lease income recognition

The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As of this date:

- A lease is classified as a finance lease; and
- The amounts to be recognized at the commencement of the lease term are determined.

The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).

Upon commencement of a finance lease, the Group recognizes the net investment in the leases, which is the minimum lease payments receivable discounted at the interest rate implicit in the lease. The difference between the gross investment and its present value is recorded as unearned finance lease income.

Finance lease income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment in respect of the finance lease. Initial direct costs are included in the initial measurement of the lease receivables.

Impairment of financial assets, including finance lease receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant

financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant by size or risk, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

(Amounts in Georgian lari)

3. Summary of significant accounting policies (continued)

Impairment of financial assets, including finance lease receivables (continued)

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of profit or loss.

Finance lease receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a finance lease receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of collateral characteristics and past-due status.

Allowance for financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience.

Renegotiated finance lease receivables

Where possible, the Group seeks to restructure finance lease receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new finance lease receivables conditions.

The accounting treatment of such restructuring is as follows:

- If the currency of the finance lease receivable has been changed the old one is derecognized and the new finance lease receivable is recognized.
- If the finance lease receivable restructuring is not caused by the financial difficulties of the borrower the Group uses the same approach as for derecognition of financial liabilities described below.
- If the finance lease receivable restructuring is due to the financial difficulties of the borrower and the lease is impaired after restructuring, the Group recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case lease is not impaired after restructuring the Group recalculates the effective interest rate.

Once the terms have been renegotiated, the lease is no longer considered past due. Management continuously reviews renegotiated leases to ensure that all criteria are met and that future payments are likely to occur. The lease continues to be subject to an individual or collective impairment assessment, calculated using the lease's original or current effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(Amounts in Georgian lari)

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated profit or loss.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include loans payable and debt securities issued. These are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated profit or loss when the borrowings are derecognized as well as through the amortization process.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Taxation

The annual profit earned by entities other than banks, insurance companies and microfinance organizations is not taxed in Georgia starting from 1 January 2017 (Note 9). Corporate income tax is paid on dividends is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia. Withholding tax payable in respect of dividend distribution to the shareholders of the Group is recognized as deduction from equity in the consolidated statement of changes in equity.

Georgian tax legislation also provides for charging corporate income tax on certain transactions that are considered deemed profit distributions (for example, transactions at non-market prices, non-business related expenses or supply of goods and services free of charge). Taxation of such transactions is accounted similar to operating taxes and is reported as Income tax (expense)/benefit in consolidated income statement.

Investment property

Investment property of the Group represents an office building held to earn rental income. Investment property is initially recognized at cost, including transaction costs, and subsequently re-measured at fair value reflecting market conditions at the end of the reporting period.

Earned rental income is recorded in the consolidated profit or loss as rent income from investment property. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of profit or loss.

(Amounts in Georgian lari)

3. Summary of significant accounting policies (continued)

Charter capital

The amount of Group's authorised charter capital is defined by the Group's Charter. The changes in the Group's Charter (including changes in charter capital, ownership, etc.) shall be made only based on the decision of the Group's participant. The authorised capital is recognised as charter capital in the equity of the Group to the extent that it was contributed by the participant of the Group.

Assets held for leasing purposes

Assets held for the leasing purposes are those assets that the Group owns during a short period of time between acquisition of the asset and its transfer to lessees at a commencement of a finance lease, repossessed assets from non-performing lessees pending further lease or sale, and legally repossessed assets from non-performing lessees pending physical repossession.

Assets held for leasing purposes are measured at lower of cost and net realizable value at each reporting date.

Cost of assets held for leasing purposes includes:

- Cost of purchasing the asset and other related capitalized costs incurred by the Group prior to transfer to a lessee in case of acquired assets;
- Fair value of consideration given at the date of classifying finance lease receivable as non-performing in case of repossessed assets.

The net realizable value is the estimated selling price in the ordinary course of business less estimated costs to sell.

All repossessed assets held for leasing are recognized upon passing of a legal title to the Group. Management uses judgment to determine whether or not a legally repossessed asset should be written down to net realisable value due to uncertainties with its physical repossession. Management analyses each case of legally repossessed asset separately and writes off assets where physical repossession is not probable.

Fair value measurements

The Group measures investment property and investment securities available for sale at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the Note 21.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(Amounts in Georgian lari)

3. Summary of significant accounting policies (continued)

Fair value measurements (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Income and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and expense is recognized:

Interest and similar income and expense

For all financial instruments measured at amortized cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Employee benefits

Wages, salaries, annual leave and sick leave, bonuses, share-based compensations and other benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

Employee stock ownership plan

Share-based payment transactions

Chief Executive Officer of the Group receive share-based remuneration settled in equity instruments of the Group's ultimate parent, the BGEO. Grants are made by BGEO.

Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity settled transactions is recognized together with the corresponding increase in additional paid in capital, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Settlements to the Parent for the shares granted to the employees of the Group are accounted as negative Other reserves.

(Amounts in Georgian lari)

3. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the 3 years for all class of property and equipment.

Assets are depreciated from the month the asset is put into operation. Land is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation charge

Depreciation charge of those property plant and equipment which are directly involved in production process are production overheads and classified as cost of sales (if produced inventories were realized) or inventories (if produced inventories remained unrealized).

Functional and reporting currencies and foreign currency translation

The consolidated financial statements are presented in Georgian lari, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Georgian lari at official National Bank of Georgia ("NBG") exchange rates at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated profit or loss as net gain (loss) from foreign currency translation.

The official NBG exchange rates at 31 December 2017 and 31 December 2016 are disclosed below:

	31 December 2017	*31 December 2016*
GEL to USD	2.5922	2.6468
GEL to EUR	3.1044	2.7940

Changes in accounting policies and disclosures

No new or revise IFRS during the year had significant impact on the Group's financial position or performance.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 14.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendment did not have any impact on the consolidated financial statements of the Group, as it does not have taxable profit after the introduction of new tax model effective since 1 January 2017 (Note 9).

(Amounts in Georgian lari)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective

Up to the date of approval of the consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted. New standards relevant to the Group's activities that may have any impact on the Group, or the impacts of which are currently being assessed, are as follows:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group does not anticipate early adoption of IFRS 16 and is currently assessing the impact of IFRS 16 on its consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard by recognizing the cumulative transition effect in opening retained earnings on 1 January 2018 and will not restate comparative information. The Group is in the process of quantifying the effect of adoption of IFRS 9, however no reasonable estimate of this effect is yet available.

(a) Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a "hold to collect" basis are measured at amortized cost;
- Instruments that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, will be measured at FVPL.

(Amounts in Georgian lari)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

Equity financial assets are required to be classified at initial recognition as FVPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realized and unrealized gains and losses, except for dividend income, are recognized in other comprehensive income with no subsequent reclassification to profit and loss.

The classification and measurement of financial liabilities remain largely unchanged from the current IAS 39 requirements. Derivatives will continue to be measured at FVPL.

The Group does not expect that the adoption of IFRS 9 will have an effect on the classification of the Group's financial assets.

(b) Impairment

IFRS 9 requires the Group to record an allowance for expected credit losses (ECL) on all of its debt financial assets at amortised cost or FVOCI, as well as loan commitments and financial guarantees. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL.

According to the new model for the recognition of impairment losses, introduced by IFRS 9, there is "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The adoption of IFRS 9 will have an effect on the impairment of the Group's financial assets, the Group is in the process of quantifying the effect of adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group plans to adopt the new standard from the effective date and continues to assess IFRS 15 impact.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The amendments are not expected to have any impact on the consolidated financial statements of the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The amendments are not expected to have any impact on the consolidated financial statements of the Group.

(Amounts in Georgian lari)

4. Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management uses its judgment and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Allowance for impairment of finance lease receivables

The Group regularly reviews its finance lease receivables to assess impairment. The Group uses its judgment to estimate the amount of any impairment loss in cases where a lessee is in financial difficulties and there are few available sources of historical data relating to similar borrowers. The Group estimates changes in future cash flows based on the observable data indicating how and when the collateral under finance lease can be realized. Management uses estimates based on historical loss experience for assets with similar characteristics.

Information about allowance for impairment of finance lease receivables as of 31 December 2017 and 31 December 2016 is presented in Note 7.

Measurement of fair value of investment property

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques which are consistent with the principles of IFRS 13. The last valuation of investment property was conducted by independent appraiser as at 31 December 2017. Fair value of the Group's investment property was determined by applying market comparable valuation method.

Estimation of net realisable value for assets held for leasing purposes

In order to determine lower of cost and net realisable value of assets held for leasing purposes, net realisable value is determined by independent valuator at each reporting date. The method used represent market approach which is based on comparison of the subject assets to comparable assets that has been entered on the sale.

Information about assets held for leasing purposes as of 31 December 2017 and 31 December 2016 is presented in Note 8.

5. Cash and cash equivalents

Cash and cash equivalents comprised the following as of 31 December:

	2017	*2016*
Cash on hand	592	1,909
Current accounts with the Parent	1,177,449	674,050
Cash and cash equivalents	**1,178,041**	**675,959**

6. Investment securities: available-for-sale

In 2017 The Group distributed investment securities of GEL 41,090 to its chief executive and recognised within salaries and other employee benefits in the consolidated statement of comprehensive income.

In 2016 the Group sold the investment securities at a price of GEL 1,923,721 (USD 772,827) which included the carrying value of the investment securities amounting to GEL 1,914,033 (USD 768,935) and the gain from the selling at a premium amounting to GEL 9,688 (USD 3,892).

(Amounts in Georgian lari)

7. Finance lease receivables

	Due within 1 year 2017	*Due between 1 to 5 years 2017*	*Total 2017*
Minimum lease payments receivable	27,244,895	34,728,427	61,973,322
Less: unearned finance lease income	(1,733,705)	(13,770,695)	(15,504,400)
Finance lease receivables	25,511,190	20,957,732	46,468,922
Less: impairment allowance for finance lease receivables	(602,193)	(443,142)	(1,045,335)
Net finance lease receivables	24,908,997	20,514,590	45,423,587

	Due within 1 year 2016	*Due between 1 to 5 years 2016*	*Total 2016*
Minimum lease payments receivable	21,184,889	21,819,367	43,004,256
Less: unearned finance lease income	(777,449)	(8,671,043)	(9,448,492)
Finance lease receivables	20,407,440	13,148,324	33,555,764
Less: impairment allowance for finance lease receivables	(593,759)	(350,419)	(944,178)
Net finance lease receivables	19,813,681	12,797,905	32,611,586

As of 31 December 2017, concentration of finance lease receivables to 5 largest lessees comprised GEL 4,324,219 (2016: GEL 5,168,135) which is 10% (2016: 16%) of total finance lease receivables, and finance lease income received from them comprised GEL 755,184 (2016: GEL 741,662), which is 8% (2016: 11%) of total finance lease income.

Penalties on finance lease receivables are mainly accrued for overdue payments. The Group recognises penalty income only when received. In 2017 the Group recognized income from penalties of GEL 669,059 (2016: GEL 984,930)

At the end of the lease term, the ownership of the leased assets is transferred to the lessees. Minimum lease payments receivables after 31 December 2017 and 2016 are payable to the Group in the following currencies:

	2017	*2016*
USD	35,378,335	23,433,039
EUR	5,915,527	8,234,599
GEL	4,129,725	943,948
Net finance lease receivables	45,423,587	32,611,586

The types of assets that the Group leases out at 31 December 2017 and 2016 can be aggregated into the following categories:

	2017		*2016*	
	Amount	*Number of projects*	*Amount*	*Number of projects*
Construction equipment	20,213,886	178	12,299,751	104
Passenger cars	14,567,919	1,119	6,769,440	558
Transport, except passenger cars	5,582,109	105	6,351,226	92
Machinery & equipment	5,059,673	82	7,191,169	102
Net finance lease receivables	45,423,587	1,484	32,611,586	856

(Amounts in Georgian lari)

7. Finance lease receivables (continued)

Movements in impairment allowance for finance leases for 2017 and 2016 are as follows:

	Finance lease receivables
31 December 2015	798,470
Impairment charge	458,806
Write-offs	(313,098)
31 December 2016	944,178
Impairment charge	712,129
Write-offs	(610,972)
31 December 2017	1,045,335

	2017	*2016*
Collective assessment	819,100	608,308
Individual assessment	226,235	335,870
Total impairment allowance for finance leases	1,045,335	944,178

	2017	*2016*
Gross amount of lease receivables, individually determined to be impaired before deducting any individually assessed impairment allowance	866,252	1,500,388

8. Assets held for leasing purposes

	2017	*2016*
Assets held for leasing – repossessed	2,932,409	4,766,595
Assets held for leasing – under repossession	6,513,583	6,389,520
Assets held for leasing purposes	9,445,992	11,156,115

9. Taxation

In June 2016, amendments to the Georgian tax law in respect of corporate income tax became enacted. The amendments became effective from 1 January 2017 for all Georgian companies except the banks, insurance companies and microfinance organization, for which the effective date is 1 January 2019. Under the new regulation, corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia, rather than on profit earned. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of net distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax.

Following the enactment of the amendments, as at 31 December 2016 the Group reversed in full its deferred tax assets and liabilities based on IAS 12 *Income Taxes* requirement to measure deferred taxes at 0% tax rate applicable for undistributed profits starting from 1 January 2017.

In 2017 the Group did not recognize income tax charge on distributed profits (dividends) in profit or loss. In 2016 the Group recognized income tax expense resulting from reversal of deferred tax assets and liabilities in amount of GEL 726,627 in loss, and benefit of GEL 863 in other comprehensive income (to the extent that it related to items previously recognised in other comprehensive income).

As at 31 December 2016 the Group had prepaid current income tax asset of GEL 632,468, which was used for covering other tax liabilities arisen during 2017.

(Amounts in Georgian lari)

9. Taxation (continued)

The corporate income tax (charge)/benefit comprises:

	2017	2016
Current income tax (charge)/benefit	-	-
Deferred tax benefit relating to origination and reversal of temporary differences	-	(726,627)
Total income tax (charge)/benefit	**-**	**(726,627)**

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2017	2016
Net dividends / loss before tax	**-**	**(402,907)**
Statutory tax rate	15/85	15%
Theoretical income tax benefit at the statutory rate	**-**	**(60,437)**
Offset against income tax paid related to 2008-2016	-	-
Effect from change in tax legislation	-	726,627
Non-deductible expenditures	-	208,507
Change in unrecognised deferred tax	-	(148,070)
Income tax expense	**-**	**726,627**

Movement in deferred tax asset for the year ended 31 December 2016 was follows:

	2015	*In the statement of profit or loss*	*In other compre-hensive income*	*2016*
Tax effect of deductible temporary differences				
Loss carry forward	109,780	(109,780)	-	-
Finance lease receivables	723,061	(723,061)	-	-
Other assets	400,875	(400,875)	-	-
Other liabilities	35,241	(35,241)	-	-
Deferred tax assets	**1,268,957**	**(1,268,957)**	**-**	**-**
Allowance for deferred tax assets	(71,457)	71,457	-	-
Net deferred tax assets	**1,197,500**	**(1,197,500)**	**-**	**-**
Tax effect of taxable temporary differences				
Allowance for finance lease receivables	(163,800)	163,800		
Investment securities	(863)	-	863	-
Amounts due to credit institutions	(144,480)	144,480	-	-
Investment property	(162,593)	162,593	-	-
Deferred tax liabilities	**(471,736)**	**470,873**	**863**	**-**
Deferred tax assets	**725,764**	**(726,627)**	**863**	**-**

(Amounts in Georgian lari)

10. Property and equipment

The movements in property, plant and equipment during the year ended 31 December 2017 were as follows:

	Vehicles	*Office equipment*	*Leasehold improvements*	*Total*
Cost				
At 31 December 2015	**38,129**	**119,305**	**-**	**157,434**
Additions	-	22,743	-	22,743
At 31 December 2016	**38,129**	**142,048**	**-**	**180,177**
Additions	25,950	298,365	111,227	435,542
At 31 December 2017	**64,079**	**440,413**	**111,227**	**615,719**
Depreciation				
At 31 December 2015	**28,911**	**90,388**	**-**	**119,299**
Depreciation charge	5,504	20,481	-	25,985
At 31 December 2016	**34,415**	**110,869**	**-**	**145,284**
Depreciation charge	10,513	38,019	9,320	57,852
At 31 December 2017	**44,928**	**148,888**	**9,320**	**203,136**
Net book value				
At 31 December 2016	**3,714**	**31,179**	**-**	**34,893**
At 31 December 2017	**19,151**	**291,525**	**101,907**	**412,583**

Property and equipment are depreciated on straight-line basis over the useful economic lives of 3 years.

11. Other assets

Other assets comprise:

	31 December 2017	*31 December 2016*
Receivables from selling of assets	369,195	14,645
Intangible Assets	141,289	125,688
Commission receivables	69,687	42,123
VAT portion of overdue lease payments	55,386	36,012
Operating lease receivables	30,816	37,687
Other	27,890	3,510
	694,263	**259,665**

Intangible assets have finite lives and are amortized on straight-line basis over the useful economic lives of 10 years.

Gross carrying value of intangible assets as of 31 December 2017 comprise GEL 342,231 (2016: GEL 292,834). Accumulated amortization as of 31 December 2017 amounts to GEL 200,942 (2016: GEL 167,146). Amortization charge for the year ended 31 December 2017 comprised of GEL 33, 796 (2016: 30,059)

12. Loans payable

	2017	*2016*
Amounts due to local banks	20,178,770	17,728,932

Amounts due to local banks, as of 31 December 2017 and 31 December 2016 comprises of loans received from the shareholder and JSC Pasha Bank. Amounts due to local banks as of 31 December 2017 earn interest rate of 5.50% to 12.00% (2016: 10% to 11%) and has remaining maturity of 365 to 1646 days (2015: 1185 to 2461 days).

As of 31 December 2017 amounts due to local banks are secured with finance lease receivables with a carrying value of GEL 45,423,587 (2016: GEL 2,38,939) and with investment property with a carrying value of GEL 2,745,140 (2016: 2,488,301).

(Amounts in Georgian lari)

13. Debt securities issued

	2017	*2016*
Debt securities issued	26,150,848	26,904,767

In August 2017 the Group issued 3-year bonds of USD 10,000,000 on Georgian Stock Exchange. New bonds were issued at par value of USD 1,000, with fixed coupon rate of 7% per annum. The proceed was used to rollover September 2014 issued bonds fully.

Debt securities outstanding as at 31 December 2016, comprised of 3-year bonds issued in September 2014 of USD 10,000,000, at par value of USD 1,000, with fixed coupon rate of 8.75% per annum.

14. Changes in liabilities arising from financial activities

	1 January 2017	*Cash flows*	*Foreign exchange movement*	*Contribution into capital*	*Interest expense*	*31 December 2017*
Interest-bearing loans and borrowings (excluding items listed below)	17,728,932	12,579,424	650,279	(12,347,906)	1,568,041	20,178,770
Debt securities issued	26,904,767	(3,032,957)	(107,217)	-	2,386,255	26,150,848
Total liabilities from financing activities	44,633,699	9,546,467	543,062	(12,347,906)	3,954,296	46,329,618

	1 January 2016	*Cash flows*	*Foreign exchange movement*	*Interest expense*	*31 December 2016*
Interest-bearing loans and borrowings (excluding items listed below)	15,815,446	166,088	247,802	1,499,596	17,728,932
Debt securities issued	22,695,617	(629,563)	2,573,156	2,265,557	26,904,767
Total liabilities from financing activities	38,511,063	(463,475)	2,820,958	3,765,153	44,633,699

15. Equity

As at 31 December 2017 and 31 December 2016 the Group had fully contributed charter capital of GEL 3,180,000.

No dividends are declared in 2017 and 2016.

Additional paid-in capital

In 2017 the Parent converted interest bearing loans and borrowing with carrying value of GEL 12,347,906 into the charter capital.

Additional paid-in capital is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration as well. Refer to Note 22 for further details of this plan.

Capital management

The Group's objectives when managing capital are:

- To ensure that the Group maintains capital at levels appropriate to ensure that it complies with all covenants set by lenders and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize participant's value;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

To achieve these goals the Group performs a detailed analysis of significant potential lease projects setting an individual minimal requirement for down payment from clients and checking credit ratings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

(Amounts in Georgian lari)

16. Other income

	2017	*2016*
Insurance compensations	540,498	55,743
Commission income from insurance	194,560	116,766
Income from early-buy out fees	44,625	13,989
Income from operating leases	29,994	58,486
Gain from down-payment write off	-	79,519
Other	23,492	58,469
	833,169	**382,972**

17. Other general and administrative expenses

	2017	*2016*
Insurance expenses	1,502,499	670,224
Operating taxes other than income tax	701,430	470,000
Legal and professional services*	431,142	305,091
Advertisement	301,156	81,047
Rent expenses	228,599	213,125
Loss from selling assets	197,062	48,805
Depreciation and amortization expenses	91,648	56,044
GPS Expenses	44,363	36,025
Travel	35,207	17,163
Banking services	12,690	9,806
Repair expenses	12,366	17,479
Prepayment write-off	2,404	136,840
Other	200,635	129,460
Total general and administrative expenses	**3,761,201**	**2,191,109**

* *Legal and professional services includes fees for the audit of the Group's consolidated financial statements for the year ended 31 December 2017 of GEL 139,828 (2016: GEL 118,981).*

18. Financial risk management

Introduction

The Group's financial instruments primarily comprised of cash, finance lease receivables and loans payable and debt securities issued. In the course of its ordinary activity the Group is exposed to credit, liquidity, currency and interest rate risks.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

As of 31 December 2017 and 31 December 2016 the Group has no other significant financial assets subject to credit risk, except for:

- Cash and cash equivalents that are kept with the bank having rating BB- from Fitch Ratings;
- Finance lease receivables described below.

The credit quality of finance lease receivables is managed by the Group through credit quality groups. The table below shows the credit quality by class of finance lease receivables, based on the Group's credit quality groups' system.

(Amounts in Georgian lari)

18. Financial risk management (continued)

Credit risk (continued)

	Neither past due nor impaired					
	High grade 2017	*Standard grade 2017*	*Sub-standard grade 2017*	*Past due but not impaired 2017*	*Individually impaired 2017*	*Total 2017*
Finance lease receivables (net)						
Construction	14,176,434	2,007,400	12,712	656,734	255,578	**17,108,858**
Service	8,450,898	715,507	1,173,768	920,289	190,957	**11,451,419**
Individuals	8,243,119	661,322	90,728	812,501	64,116	**9,871,786**
Manufacturing	1,935,985	46,680	137,653	-	-	**2,120,318**
Trade and retail	1,796,337	62,386	-	129,556	25,690	**2,013,969**
Energy	1,585,970	-	-	-	-	**1,585,970**
Consumer goods	441,466	54,639	-	-	-	**496,105**
Agriculture	419,588	72,430	-	-	-	**492,018**
Polygraph	85,001	198,143	-	-	-	**283,144**
	37,134,798	**3,818,507**	**1,414,861**	**2,519,080**	**536,341**	**45,423,587**

	Neither past due nor impaired					
	High grade 2016	*Standard grade 2016*	*Sub-standard grade 2016*	*Past due but not impaired 2016*	*Individually impaired 2016*	*Total 2016*
Finance lease receivables (net)						
Service	5,815,280	3,419,355	1,697,050	943,007	357,999	**12,232,691**
Construction	5,350,578	1,576,138	731,249	290,417	240,264	**8,188,646**
Individuals	3,132,931	421,418	126,649	252,509	374,108	**4,307,615**
Trade and retail	2,457,863	161,074	38,276	35,685	-	**2,692,898**
Manufacturing	792,530	764,791	570,554	-	88,234	**2,216,109**
Consumer goods	960,348	203,074	-	66,139	-	**1,229,561**
Agriculture	337,282	348,691	136,130	-	-	**822,103**
Polygraph	253,210	428,968	-	-	-	**682,178**
Energy	10,268	229,517	-	-	-	**239,785**
Total	**19,110,290**	**7,553,026**	**3,299,908**	**1,587,757**	**1,060,605**	**32,611,586**

The credit risk assessment policy for non-past due and individually non-impaired financial lease receivables has been determined by the Group as follows:

- A financial lease receivable that is neither past due (overdue days at reporting day is less than five days) nor impaired as at reporting date and has historical maximum overdue days during the period of less than 30 is assessed as a financial asset with High Grade;
- A financial lease receivable that is neither past due (overdue days at reporting day is less than five days) nor impaired as at reporting date and has historical maximum overdue days during the period between 30 and 60 is assessed as a financial asset with Standard Grade;
- A financial lease receivable that is neither past due (overdue days at reporting day is less than five days) nor impaired as at reporting date and has historical maximum overdue days during the period of more than 60 is assessed as a financial asset with Sub-standard Grade.

It is the Group's policy to maintain accurate and consistent risk ratings across the lease portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business.

Aging of finance lease receivables that are past due but not impaired is as follows in 2017 and 2016:

(Amounts in Georgian lari)

18. Financial risk management (continued)

Credit risk (continued)

	Less than 30 days 2017	*31 to 60 days 2017*	*More than 60 days 2017*	*Total 2017*
Finance lease receivables				
Service	740,176	98,876	81,237	**920,289**
Individuals	678,310	134,191	-	**812,501**
Construction	594,080	8,104	54,550	**656,734**
Trade and retail	129,556	-	-	**129,556**
	2,142,122	**241,171**	**135,787**	**2,519,080**

	Less than 30 days 2016	*31 to 60 days 2016*	*More than 60 days 2016*	*Total 2016*
Finance lease receivables				
Service	840,263	32,839	69,905	**943,007**
Construction	236,830	-	53,587	**290,417**
Individuals	205,362	12,005	35,142	**252,509**
Consumer goods	66,139	-	-	**66,139**
Trade and retail	35,685	-	-	**35,685**
	1,384,279	**44,844**	**158,634**	**1,587,757**

The main considerations for the finance lease receivables individual impairment assessment include whether any payments of principal or interest are overdue by more than 60 days or there are any known difficulties in the cash flows of counterparties, or infringement of the original terms of the contract.

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017 and 31 December 2016 based on contractual undiscounted repayment obligations. The gross nominal outflow disclosed in the table is the contractual, undiscounted repayment obligations on the financial liabilities. The actual cash flows on these financial liabilities may vary from this analysis.

Financial liabilities	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
As at 31 December 2017					
Loans payable	604,356	4,379,738	19,615,209	-	**24,599,303**
Debt securities issued	914,727	899,813	29,565,994	-	**31,380,534**
Total undiscounted financial liabilities	**1,519,083**	**5,279,551**	**49,181,203**	**-**	**55,979,837**

Financial liabilities	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
As at 31 December 2016					
Loans payable	466,316	1,416,537	8,353,683	19,236,911	**29,473,447**
Debt securities issued	1,148,457	27,635,493	-	-	**28,783,950**
Total undiscounted financial liabilities	**1,614,773**	**29,052,030**	**8,353,683**	**19,236,911**	**58,257,398**

(Amounts in Georgian lari)

18. Financial risk management (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2017 and 31 December 2016 on its financial assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rates against the Georgian lari, with all other variables held constant in the consolidated profit or loss. A negative amount in the table reflects a potential net reduction in the consolidated profit or loss, while a positive amount reflects a net potential increase.

Currency	*Appreciation of the exchange rate of GEL against the respective currency in % 2017*	*Effect on profit before tax 2017*	*Appreciation of the exchange rate of GEL against the respective currency in % 2016*	*Effect on profit before tax 2016*
EUR	17.50%	3,724	20.00%	(467,910)
USD	14.00%	(3,406)	15.00%	1,025,251

Currency	*Depreciation of the exchange rate of GEL against the respective currency in % 2017*	*Effect on profit before tax 2017*	*Depreciation of the exchange rate of GEL against the respective currency in % 2016*	*Effect on profit before tax 2016*
EUR	-10.50%	(2,234)	-16.00%	374,328
USD	-7.00%	1,703	-11.00%	(751,851)

(Amounts in Georgian lari)

19. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled:

	2017		
	Within one year	*More than one year*	*Total*
Assets			
Cash and cash equivalents	1,178,041	-	1,178,041
Finance lease receivables	24,908,997	20,514,590	45,423,587
Assets held for leasing	9,445,992	-	9,445,992
Prepayments for assets held for leasing purposes	6,307,017	-	6,307,017
Property and equipment	-	412,583	412,583
Investment property	-	2,745,140	2,745,140
Other assets	552,974	141,289	694,263
Total	42,393,021	23,813,602	66,206,623
Liabilities			
Loans payable	4,803,446	15,375,324	20,178,770
Debt securities issued	1,759,988	24,390,860	26,150,848
Advances from customers	1,160,303	-	1,160,303
VAT and other taxes payable	130,656	-	130,656
Other liabilities	893,129	-	893,129
Total	8,747,522	39,766,184	48,513,706
Net	33,645,499	(15,952,582)	17,692,917

	2016		
	Within one year	*More than one year*	*Total*
Assets			
Cash and cash equivalents	675,959	-	675,959
Investment securities: available-for-sale	20,545	20,545	41,090
Finance lease receivables	19,813,681	12,797,905	32,611,586
Assets held for leasing	11,156,115	-	11,156,115
Prepayments for assets held for leasing purposes	3,258,569	-	3,258,569
Current income tax assets	632,468	-	632,468
Property and equipment	-	34,893	34,893
Investment property	-	2,488,301	2,488,301
Other assets	133,977	125,688	259,665
Total	35,691,314	15,467,332	51,158,646
Liabilities			
Loans payable	1,777,960	15,950,972	17,728,932
Debt securities issued	26,904,767	-	26,904,767
Advances from customers	2,078,621	-	2,078,621
VAT and other taxes payable	434,203	-	434,203
Other liabilities	449,386	-	449,386
Total	31,644,937	15,950,972	47,595,909
Net	4,046,377	(483,640)	3,562,737

The assets held for leasing purposes are expected to be sold or re-leased under finance lease arrangements within 1 year after the reporting date.

(Amounts in Georgian lari)

20. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's length basis.

The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

	2017		*2016*	
	Parent	*Entities under common control**	*Parent*	*Entities under common control**
Rent income from investment property	168,766	-	168,766	-
Commission income from insurance	-	194,560	-	116,766
Interest income from current accounts	-	58,277	-	71,470
Rent expenses	167,605	34,975	157,414	45,166
Loans payable at 1 January	**17,728,932**	**-**	**2,346,097**	**-**
Loans received during the year	13,497,449	-	17,756,647	-
Loan repayments during the year	(4,083,052)	-	(2,249,116)	-
Loans contributed to capital	(12,347,906)	-	-	-
Other movements / other accruals/(payments)	4,439	-	(124,696)	-
Loans payable at 31 December	**14,799,862**	**-**	**17,728,932**	**-**
Interest expense on loans payable	1,511,807	-	672,876	-
Debt securities issued at 1 January	**-**	**2,976,665**	**-**	**1,953,539**
Debt securities issued during the year	-	18,135,884	-	1,635,994
Debt securities purchased during the year	-	(19,216,277)	-	-
Other movements	-	(500,406)	-	(612,868)
Debt securities issued at 31 December	**-**	**1,395,866**	**-**	**2,976,665**
Interest expense on debt securities issued	-	231,247	-	177,916
Amounts due to suppliers at 1 January	**-**	**253,118**	**-**	**190,837**
Origination during the year	-	2,139,812	-	1,395,729
Settlement during the year	-	(2,207,507)	-	(1,336,529)
Amounts due to suppliers at 31 December	**-**	**185,423**	**-**	**250,037**
Cash and cash equivalents	1,178,041	-	675,959	-

* *Included into entities under common control are members of BGEO.*

As of 31 December 2016 the Group held equity instruments of BGEO with the carrying value of GEL 41,090.

(Amounts in Georgian lari)

20. Related party transactions (continued)

Compensation of key management personnel comprised to the following:

	31 December 2017	*31 December 2016*
Salaries and cash bonuses	174,060	125,750
Share-based compensation (Note 22)	74,501	-
Total key management compensation	**248,561**	**125,750**

21. Fair value measurement

The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy:

	Fair value measurement using					
At 31 December 2017	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*	*Carrying value*	*Unrecognised loss*
Assets measured at fair value						
Investment property	-	-	2,745,140	**2,745,140**	2,745,140	-
Assets for which fair values are disclosed						
Cash and cash equivalents	-	1,178,041	-	**1,178,041**	1,178,041	-
Finance lease receivables	-	-	44,961,987	**44,961,987**	45,423,587	(461,600)
Liabilities for which fair values are disclosed						
Loans payable	-	-	20,178,770	**20,178,770**	20,178,770	-
Debt securities issued	-	26,150,848	-	**26,150,848**	26,150,848	-

	Fair value measurement using					
At 31 December 2016	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*	*Carrying value*	*Unrecognised loss*
Assets measured at fair value						
Investment securities available-for-sale	41,090	-	-	**41,090**	41,090	-
Investment property	-	-	2,488,301	**2,488,301**	2,488,301	-
Assets for which fair values are disclosed						
Cash and cash equivalents	-	675,959	-	**675,959**	675,959	-
Finance lease receivables	-	-	31,894,294	**31,894,294**	32,611,586	(717,292)
Liabilities for which fair values are disclosed						
Loans payable	-	-	17,728,932	**17,728,932**	17,728,932	-
Debt securities issued	-	27,478,998	-	**27,478,998**	26,904,767	(574,231)

During the years ended 31 December 2017 and 2016, there have been no transfers between levels of fair value hierarchy for assets and liabilities measured at fair value.

Investment property

Investment property is revalued by an independent valuator. Involvement of external valuer is decided upon annually by the management based on market knowledge, reputation, independence and professional standards maintained. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13.

(Amounts in Georgian lari)

21. Fair value measurement (continued)

Investment property (continued)

The following table shows valuation technique and descriptions of significant unobservable inputs to valuation and related sensitivity to reasonable possible changes in those inputs:

Class of investment properties	*2017*	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average), GEL*	*Type*	*Total area, square meters*	*Sensitivity of the input to fair value, GEL*
Office building	2,745,140	Market comparable method	Price per square metre	4,532-4,654 (4,593)	Land Building	226 372	10% increase (decrease) in the rent per square meter would result in increase (decrease) in fair value by 274,514

Class of investment properties	*2016*	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average), GEL*	*Type*	*Total area, square meters*	*Sensitivity of the input to fair value, GEL*
Office building	2,488,301	Income approach method	Rent per square metre	53-58 (55)	Land Building	226 372	10% increase (decrease) in the rent per square meter would result in increase (decrease) in fair value by 248,830

Investment securities available-for-sale

Investment securities available-for-sale as of 31 December 2016 represent equity securities quoted in active markets.

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to loans payable bearing interest at floating rates.

Fixed rate financial assets and financial liabilities carried at amortized cost

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by discounting future cash flows using rates currently available for new instruments on similar terms, credit risk and remaining maturities.

22. Share-based payments

In April 2017, according to JSC BG Financial resolution, the Director of GLC was awarded by1,300 ordinary shares of BGEO. The Group considers 11 April 2017 as the grant date. The Group estimates that the fair value of the shares awarded was GBP 33.84 per share.

Shares awarded are subject to three-year vesting with continuous employment being the only vesting condition for the award. The Group has settled its obligation by transferring cash to JSC Galt and Taggart account to purchase and block the shares per vesting condition.

The Group's equity settled share-based payment charge for the year ended 31 December 2017 comprised GEL 132,540 of which GEL 74,501 was recognized as salaries and other employee benefits in the consolidated statement of comprehensive income and other reserve in consolidated statement of financial position.

(Amounts in Georgian lari)

23. Investment property

	2017	*2016*
Opening balance at 1 January	2,488,301	2,488,301
Net gain on revaluation of investment property	256,839	-
Closing balance	2,745,140	2,488,301

As at 31 December 2017 and 2016, the fair values of the property are based on valuations performed by independent valuator. Fair value hierarchy disclosures for investment properties are in Note 21.