

MOGO LLC and its subsidiary
Consolidated Financial Statements

Together with Independent Auditor's Report

Year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Mogo LLC and its subsidiary

Independent Auditor's Opinion on The consolidated financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Mogo LLC (hereinafter the Company), and its subsidiary (hereinafter the Group) which comprise the consolidated statement of financial position as at 31 December 2023 and consolidated statements of comprehensive income, consolidated changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

As described in Note 26 (b) to the consolidated financial statements, as at 31 December 2021 the Group considers it is probable that the taxation authority will take into consideration the tax treatment of the Group's related party transactions. However, this judgement is not appropriately supported by the respective tax litigation practice and significant economic benefit outflow is expected from the Group. Reflection of an effect of the uncertain tax treatment is required by International Financial Reporting Standard IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments: if the Group concludes that it is not probable that a particular tax treatment is accepted by the taxation authority, the Group has to use most likely amount or the expected value of the tax treatment. The decision made by the management of the Group in previous year caused above mentioned circumstance. Due to this fact, our opinion on the current period's consolidated financial statements is also modified. Had such tax consequences been recognized, the effect would have been to increase a tax liability and decrease retained earnings as at 31 December 2023 and 2022 with the amount of GEL2,700 thousand.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw our attention to Note 1 of the consolidated financial statements, which describes the fact that according to law of Georgia on Accounting, Reporting and Audit the Group is required to prepare and present the Company's separate financial statements. The Group's subsidiary did not conduct substantial operations during 2023, also it did not hold substantial assets and liabilities at the end of the reporting year. Therefore, the management believes that Group's consolidated financial statements are not materially different from the separate financial statements of the Company. Our opinion is not qualified in respect of this matter.

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

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

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

Those charged with governance are responsible for overseeing the Group's consolidated 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 auditors' 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 scepticism throughout the audit. We also:

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

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

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

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

A handwritten signature in blue ink, appearing to read 'D. Darsavelidze', written in a cursive style.

Davit Darsavelidze (SARAS-A-735032)

For and on behalf of BDO Audit LLC

Tbilisi, Georgia

17 June 2024

MOGO LLC AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(In Georgian Lari)

	Note	31.12.2023	31.12.2022
Assets			
Non-current assets			
Property and equipment	11	36,755	38,221
Right-of-use assets	11	1,557,784	1,209,966
Finance lease receivables	12	22,252,215	18,278,354
Loans and advances to customers	13	10,357,090	9,978,131
		34,203,844	29,504,672
Current assets			
Finance lease receivables	12	10,526,928	10,827,447
Loans and advances to customers	13	6,691,658	7,736,000
Tax assets		3,151,268	3,296,309
Other receivables	15	916,268	879,273
Cash at bank	16	9,251,851	2,359,556
		30,537,973	25,098,585
Total assets		64,741,817	54,603,257
Equity and liabilities			
Equity			
Charter capital	17	200,000	200,000
Other reserves	17	(233,845)	(233,845)
Retained earnings		57,673,078	47,334,251
Currency translation reserve		(1,842)	-
Attributable owners of the parent		57,637,391	47,300,406
Non-controlling interest		(38)	-
Total equity		57,637,353	47,300,406
Liabilities			
Non-current liabilities			
Loans and borrowings	18	2,906,660	2,863,326
Provision for financial guarantee	20	1,080	51,008
Lease liabilities	21	1,071,339	706,211
		3,979,079	3,620,545
Current liabilities			
Loans and borrowings	18	1,701,049	2,480,728
Lease liabilities	21	444,944	422,447
Trade payables		169,819	153,287
Other liabilities	19	809,573	625,844
		3,125,385	3,682,306
Total liabilities		7,104,464	7,302,851
Total owner's equity and liabilities		64,741,817	54,603,257

Notes on pages 10 - 47 are the integral part of these consolidated financial statements.

MOGO LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(In Georgian Lari)

	Note	2023	2022
Interest income	9	19,821,242	20,451,915
Interest expense	9	(378,795)	(1,494,865)
Net interest income		19,442,447	18,957,050
Net expense from debt collection activities	10	(202,231)	(389,516)
Income from penalties received		2,874,826	3,104,543
Credit loss expense		(4,445,737)	(4,349,733)
Loss from sale of financial assets measured at amortized cost	17	(205,088)	(2,459)
Expenses related to peer-to-peer platforms services		(64,460)	(171,180)
Selling expense	11	(549,407)	(335,131)
General and administrative expense	12	(7,773,036)	(8,437,488)
Other operating income	13	1,426,049	1,319,247
Other operating expense	13	(135,177)	(198,013)
Net operating expenses		(9,074,261)	(9,459,730)
Net foreign exchange gain/(loss)		(29,359)	3,417,152
Profit before tax		10,338,827	12,914,472
Other comprehensive income			
Foreign exchange loss arising on translation foreign operations		(1,880)	-
Other comprehensive income for the year		10,336,947	12,914,472
Net profit for the year attributable to:			
Owners of the parent		10,338,827	12,914,472
Non-controlling interest		-	-
		10,338,827	12,914,472
Total comprehensive income attributable to:			
Owners of the parent		10,336,985	12,914,472
Non-controlling interest		(38)	-
		10,336,947	12,914,472

The consolidated financial statements for the year ended 31 December 2023 were approved on behalf of the management on 17 June 2023 by:

Director	_____	Shota Kekelia
Chief Accountant	_____	Nato Vachnadze

Notes on pages 10 - 47 are the integral part of these consolidated financial statements.

MOGO LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(In Georgian Lari)

	Note	2023	2022
Cash flows from operating activities:			
Profit for the year		10,338,827	12,914,472
Adjustment for:			
Depreciation and amortisation	11	719,980	814,529
Interest expense	6	378,795	1,494,865
Loss on disposal of property and equipment and ROUA		292	9,095
Income from guarantees	20	(48,901)	(234,716)
Credit loss expense	14	4,445,737	4,349,733
Net foreign exchange gain		(29,359)	(3,417,152)
Operating cash flows before working capital changes		15,805,371	15,930,826
Changes in:			
Finance lease receivables and loans and advances to customers		(7,453,688)	(818,926)
Other receivables and tax assets		132,244	457,010
Trade payables and other liabilities		229,672	(654,704)
Cash generated from operations		8,713,599	14,914,206
Interest paid on lease liability	21	(80,277)	(99,671)
Interest paid on loans and borrowings	18	(284,880)	(1,464,079)
Net cash flows from operating activities		8,348,442	13,350,456
Cash flows from investing activities:			
Purchase of property and equipment and intangible assets		(22,136)	(8,379)
Net cash used in investing activities		(22,136)	(8,379)
Cash flows from financing activities:			
Proceeds from loans and borrowings	18	6,305,318	13,064,104
Repayment of loans and borrowings	18	(7,128,391)	(24,620,776)
Repayment of lease liability	21	(638,000)	(695,862)
Net cash used in financing activities		(1,461,073)	(12,252,534)
Net increase in cash and cash equivalents		6,865,233	1,089,543
Cash and cash equivalents at 1 January	16	2,359,556	1,815,364
Effect of movements in exchange rates on cash and cash equivalents		27,062	(545,351)
Cash and cash equivalents at 31 December	16	9,251,851	2,359,556

Notes on pages 10 - 47 are the integral part of these consolidated financial statements.

MOGO LLC AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(In Georgian Lari)

	Attributable owners of the parent				Total equity attributable to owners of the parent	Non-controlling interest	Total equity
	Charter capital	Other reserves	Retained earnings	Currency translation reserve			
Balance at 31 December 2021	200,000	(2,833,431)	36,175,611	-	33,542,180	-	33,542,180
Total comprehensive income for the year	-	-	12,914,472	-	12,914,472	-	12,914,472
Decrease in fair value of the guarantees (Note 20)	-	2,599,586	(1,755,832)	-	843,754	-	843,754
Balance at 31 December 2022	200,000	(233,845)	47,334,251	-	47,300,406	-	47,300,406
Total comprehensive income for the year	-	-	10,338,827	-	10,338,827		10,338,827
Other comprehensive income for the year	-	-	-	(1,842)	(1,842)	(38)	(1,880)
Balance at 31 December 2023	200,000	(233,845)	57,673,078	(1,842)	57,637,391	(38)	57,637,353

Notes on pages 10 - 47 are the integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(In Georgian Lari)

1. Reporting Group**Georgian business environment**

The Group's operations are located in Georgia and in the State Register of the Republic of Uzbekistan. Consequently, the Group is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia.

The consolidated financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Organization and operations

Mogo LLC (the "Company") is a limited liability company as defined in the Law on Entrepreneurs of Georgia and was incorporated on 14 March 2014. The Company's identification number is 404468688.

The Company's registered office is Otar Chkheidze str.10, 0160 Tbilisi, Georgia.

The Company's principal business activity is providing automobile lease and sale and leaseback services for the amounts up to GEL 60,000 with duration of up to seven years in Georgia. In both instances, the vehicle is used as a collateral and appropriately, all loans issued by the Company are secured. Funding is being offered at the customer service centers.

As at 31 December the shareholding structure of the Company was as follows:

Owners	2023*	2022
JSC AS Eleving Stella, Latvia	100%	-
JSC AS Eleving Luna, Latvia	-	100%
	100%	100%

In 2021 the Ultimate Parent Company, Mogo Finance S.A., was renamed to Eleving Group S.A. and as at 31 December 2023 and 2022 the Company is ultimately controlled by Eleving Group S.A. (the Ultimate Parent Company). As at 31 December 2023 and 31 December 2022 none of the ultimate beneficial owners individually controls the Company.

(*) - According to the agreement made on 27 October 2023, the ownership of 100% of the shares in Mogo LLC has been transferred from Sole Shareholder AS Eleving Luna (Registration No. 40203145805) to AS Eleving Stella (Registration No. 40103964830). For additional information please refer to Note 25.

These consolidated financial statements include the following subsidiary:

Name of subsidiary	Country	Principal activity	31.12.2023	31.12.2022
Mogo Finance Mikromoliya Tashkiloti LLC *	Uzbekistan	Has not started operational activities	100%	-

(*) - In March 2023 under the decision of the sole shareholder of Mogo LLC - AS Eleving Luna, there has been resolved to establish Limited Liability Company Mogo Finance Mikromoliya Tashkiloti and register it in the State Register of the Republic of Uzbekistan in accordance with the procedure and laws of the Republic of Uzbekistan.

To ensure the activity of the newly established LLC, the Charter fund in the amount of 2,000,000,000 (two billion) sums should be established and fully formed at the expense of the founders' funds or fixed assets within 1 year from the date of the state registration of the LLC.

On 20 April 2023 Mogo LLC transferred USD174,500 as contribution in the capital of Mogo Finance Mikromoliya Tashkiloti, therefore it became 98% shareholder of the newly established company.

Standalone financial statements

According to law of Georgia on Accounting, Reporting and Audit the Group is required to prepare and present the Company's separate financial statements. The Group's subsidiary did not conduct substantial operations during 2023, also it did not hold substantial assets and liabilities at the end of the reporting year. Therefore, the management believes that Group's consolidated financial statements are not materially different from the separate financial statements of the Company. Therefore, the abovementioned consolidated financial statements represent consolidated financial statements as well as standalone financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(In Georgian Lari)

2. Basis of preparation**Statement of compliance**

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

Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in GEL is rounded to the nearest GEL, except when otherwise indicated.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below.

New standards and interpretations not yet adopted**A) Standards and Amendments Mandatorily Effective from 1 January 2023**

IFRS 17 Insurance Contracts . IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:

- Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract
- Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and
- Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the reporting period in profit or loss, or to recognise some in other comprehensive income. Subsequent to the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.

Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2). In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.

Definition of Accounting Estimates (Amendment to IAS 8). In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

2. Basis of preparation (Continued)**B) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE****Standards and Amendments Mandatorily Effective from 1 January 2024**

Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7). On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (the Amendments). These Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the presentation requirements for liabilities and associated cash flows arising out of supply chain financing arrangements and related disclosures. In December 2020, the Committee published an Agenda Decision Supply Chain Financing Arrangements—Reverse Factoring that addressed this submission based on the requirements in IFRS Accounting Standards existing at that time. During this process, the feedback from stakeholders indicated limitations of the then existing requirements to address important information needs of users to understand the effects of supplier finance arrangements on an entity's financial statements and to compare one entity with another. In response to this feedback, the IASB undertook a narrow-scope standard setting, leading to the Amendments. The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.

Lease Liability in a Sale and Leaseback (Amendment to IFRS 16). The IFRS Interpretations Committee issued an agenda decision in June 2020 - Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

Classification of Liabilities as Current or Non-Current (Amendment to IAS 1). The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.

Amendment - Noncurrent Liabilities with Covenants (Amendment to IAS 1). Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current

Standards and Amendments Mandatorily Effective from 1 January 2025

Lack of Exchangeability (Amendment to IAS 21) On 15 August 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments). The Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the determination of the exchange rate when there is a long-term lack of exchangeability. IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice. The Committee recommended that the IASB develop narrow-scope amendments to IAS 21 to address this issue. After further deliberations, the IASB issued an exposure draft of the proposed amendments to IAS 21 in April 2021 and the final amendments were issued in August 2023. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(In Georgian Lari)

3. Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 14 - Credit loss expense;
- Note 20 - Provision for financial guarantee.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the notes:

- determination of fair value of financial guarantee issued - Note 20 and 4 (j);
- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding - Notes 4 (i) and 4(o).
- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information - Note 12, 13, 14 and 4(l).

Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. The fair value have been determined for measurement and disclosure purposes.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in Note 5(a) - Accounting classifications and fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(In Georgian Lari)

4. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Can use its power to affect its returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Income from debt collection activities and earned penalties

Income from debt collection activities and penalties is recognized in the consolidated statement of profit or loss and other comprehensive income at the moment when the likelihood of consideration being settled for such services is high, therefore income is recognized only when actual payment for provided services is actually received. Income from penalties arise in case customers breach the contractual terms of a lease or loan agreements, such as exceeding the payment date. In those situations, the Group is entitled to charge the customers in accordance with the agreement terms. The Group recognizes income from penalties at the moment of cash receipt as likelihood and timing of settlement is uncertain. In case customers do not settle the penalty amount, the Group is entitled to enforce repossession of the collateral.

Income from debt collection activities typically arises when customers delay the payments due. The Group's income encompasses a compensation of internal and external costs incurred by the Group in relation to debt management, legal fees as well as repossession of vehicle in case of the lease or the loan agreement termination, which is recharged to the customers in accordance with the agreement terms. Debt collection income is recognised on net (agent) basis as these amounts are recharged to the customers in accordance with agreement terms and the Group does not control these services before they are transferred to a customer.

The performance obligation is satisfied when respective service has been recharged to a customer when issuing the next monthly invoice in accordance with the lease or the loan agreement schedule.

4. Summary of Significant accounting policies (Continued)**(c) Finance income and costs**

The Group's finance income and finance costs include:

- interest expense;
- interest income;
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Group at exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in translation are recognised in profit or loss.

(e) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law has entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies,

4. Summary of Significant accounting policies (Continued)

microfinance organizations, pawnshops), for which the law will become effective from 1 January 2023.

The new system of corporate income taxation does not imply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholders as a dividend. However, some other transactions are also considered as DE, for example non-arm's length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes. In addition, the tax object includes expenses or other payments not related to the entity's economic activities, free of charge supply and over-limit representative expenses.

Tax reimbursement is available for the current tax paid on the undistributed earnings in the years 2008-2016, if those earnings are distributed in 2018 or further years.

The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

(ii) Deferred tax

Due to the nature of the new taxation system described above, the entities registered in Georgia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise.

Tax losses accrued in the prior periods cannot be utilized against the future taxable profits.

(g) Property, plant and equipment*Recognition and measurement*

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Land is not depreciated.

The estimated useful lives are as follows:

- | | |
|--------------------------|-----------|
| – Equipment | 2-5 years |
| – Leasehold improvements | 2-5 years |

Derecognition

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 profit or loss when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

4. Summary of Significant accounting policies (Continued)**(h) Transactions with peer-to-peer platforms***Background*

The Group has signed cooperation agreements with an operator of a peer-to-peer (P2P) investment internet-based platform. Cooperation agreements and the related assignment agreements are in force until parties agree to terminate. Purpose of the cooperation agreement for the Group is to attract funding through the P2P platform.

P2P platform makes possible for an individual and corporate investors to obtain fully proportionate interest cash flows and the principal cash flows from debt instruments issued by the Group in an exchange for an upfront payment. These rights are established through assignment agreements between investors and P2P platform, who is acting as an agent on behalf of the Group.

Assignment agreements are of two types:

- Agreements with recourse rights which require the Group to guarantee full repayment of invested funds by the investor in case of a default of the Group's customer (buy back guarantee);
- Agreements without recourse rights which do not require the Group to guarantee repayment of invested funds by the investor in case of default of the customer (no buy back guarantee).

The Group has only first type of agreements with investors.

Funding attracted through peer-to-peer platform.

Liabilities arising from assignments are initially recognized at the fair value being consideration received from investors net of issue costs associated with the loan.

Liabilities to investors are recognized in loans and borrowings and are treated as loans received, see Note 18.

Assignments with recourse rights provide for direct recourse to the Group, thus do not meet the requirements to be classified as pass-through arrangement in accordance with IFRS 9.

Therefore, the Group's respective debt instruments do not qualify to be considered for partial derecognition and interest expense paid to investors is shown in gross amount under interest expense, see Note 6.

(i) Financial instruments***Financial assets****Initial recognition*

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. Other assets are recognized on the date when the Group enters into the contract giving rise to the financial instruments.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described further in the accounting policies. Financial instruments are initially measured at their fair value (which is generally equal to the transaction price) adjusted for transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities recorded at FVTPL.

Classification of financial assets

The Group measures loans and advances to customers, loans to related parties, receivables from related parties, cash equivalents and other receivables at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

4. Summary of Significant accounting policies (Continued)*Business model assessment*

The Group determines its business model at the level that best reflects how it manages the group of financial assets to achieve its business objective - the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed. The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity are also important aspects of the Group's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. The assessed business model is with the intention to hold financial assets in order to collect contractual cash flows. Sales that take place from these portfolios relate to credit events. Loans from portfolios might be sold to debt collector agencies when underlying debtors have defaulted on their obligations. When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. No financial liability reclassifications take place.

SPPI test

As a second step of its classification process the Group assesses, where relevant, the contractual terms of the financial assets to identify whether they meet the SPPI test. Financial assets subject to SPPI testing are loans and advances to customers (including financial assets arising from sales and leaseback transactions, as discussed in a separate section of this note) and loans to related parties that solely include payments of principal and interest. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group principally considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans).

In general, the loan contracts stipulate that in case of default and collateral repossession the claim is not limited to the collateral repossession and if the collateral value does not cover the remaining debt, additional resources can still be claimed from the borrower to compensate for credit risk losses. Accordingly, this aspect does not create obstacles to passing SPPI test. However, in some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the underlying loan;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- the Group's risk of loss on the asset relative to a full-recourse loan; and
- whether the Group will benefit from any upside from the underlying assets.

According to the judgement made the non-recourse loans that are secured by collateral of the borrower meet the SPPI criterion.

4. Summary of Significant accounting policies (Continued)*Reclassification of financial assets*

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line and changes its business model for managing financial assets.

Financial liabilities are never reclassified.

Derecognition of financial assets and finance lease receivables

Derecognition provisions below apply to all financial assets measured at amortized cost and lease receivables.

Derecognition due to substantial modification of terms and conditions

The Group derecognizes a loan to a customer or a finance lease receivable when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan or lease, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans or lease receivables are classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognize a financial asset or a finance lease receivable, the Group evaluates whether the cash flows of the modified asset are substantially different and the Group considers the following qualitative factors:

- Change in currency of the loan/finance lease receivable
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion for financial asset
- Whether legal obligations have been extinguished.
- Furthermore, for loans to customers and finance lease receivables the Group specifically considers the purpose of the modification for increase in lease term. It is evaluated whether the modification was entered for commercial reasons upon a customer initiative or for credit restructuring reasons. Management has performed analysis of the changes being made due to business reasons and evaluated that changes due to business reasons resulted in a substantial modification of terms and conditions. This is in line with the objective of this modification that is to originate a new asset with substantially different terms. If the DPD (days past due) of the counterparty immediately prior the modification is less than 5 DPDs and the characteristics of the financial asset are substantially modified (e.g. on average financial asset term increases for several years substantially changing the term structure of the asset), the respective modification is considered to occur for a commercial reasons and results in derecognition of the initial finance lease/loan receivable.

Other modifications to the agreement terms are treated as modifications that do not result in derecognition (see section on Modifications below).

Derecognition other than for substantial modification

A financial asset or finance lease receivable (or, where applicable, a part of a financial asset or finance lease receivable or part of the Group's similar financial assets or finance lease receivables) is derecognized when the rights to receive cash flows from the financial asset or finance lease receivable have expired. The Group also derecognizes the financial asset or finance lease receivable if it has both transferred the financial asset or finance lease receivable and the transfer qualifies for derecognition.

The Group has transferred the financial asset or finance lease receivable if the Group has transferred its contractual rights to receive cash flows from the financial asset or finance lease receivable.

The Group has transferred the asset if, and only if, either:

- the Group has transferred its contractual rights to receive cash flows from the asset or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

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4. Summary of Significant accounting policies (Continued)

Pass-through arrangements are transactions when the Group retains the contractual rights to receive cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows;
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.
- A transfer only qualifies for derecognition if either:
 - The Group has transferred substantially all the risks and rewards of the asset, or
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Modifications

The Group sometimes makes modifications to the original terms of loans/lease as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a lease/loan restructured when such modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include default or DPDs prior to the modifications. Such modifications may involve extending the payment arrangements and the agreement of new loan conditions.

If the modification does not result in cash flows that are substantially different, as set out above, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss in interest revenue/expenses calculated using the effective interest method in the consolidated statements of profit or loss, to the extent that an impairment loss has not already been recorded.

If modification is performed for commercial reasons, then it is considered to result in derecognition of the initial lease/loan receivable. Such modifications include increase in the lease amount and increase in lease term, which are agreed upon with customers for commercial reasons (i.e. -, customers and the Group are both interested in substantially modifying the scope of the lease/loan transaction). Whenever such an agreement to modify is reached the old agreement and respective receivable is derecognized.

Treatment of non-substantial modifications

If expectations of fixed rate financial assets' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset on the statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial asset or liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Changes in the contractual cash flows of the asset are recognized in the consolidated statement of profit or loss and any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

4. Summary of Significant accounting policies (Continued)***Financial liabilities******Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or other financial liabilities that are measured at amortized cost. All financial liabilities are recognized initially at fair value plus, for an item not at FVTPL, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings, including funding attracted through peer-to-peer platforms.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such upon initial recognition. Net gains or losses, including any interest expense, on liabilities held at FVTPL are recognized in the consolidated statement of profit or loss.

The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized; interest expense is recognized through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Modification of financial liabilities

For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. If the modification is substantial, then a derecognition gain or loss is recorded on derecognition. If the modification does not result in cash flows that are substantially different the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

Treatment of non-substantial modifications

If expectations of fixed rate financial liabilities' cash flows are revised, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial liability on the statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

The carrying amount of the financial liability is adjusted if the Group revises its estimates of payments or receipts. If modification of a financial liability measured at amortized cost does not result in the derecognition a modification gain/loss is calculated. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Changes in the contractual cash flows of the asset are recognized in the consolidated statement of profit or loss and any costs or fees incurred adjust the carrying amount of the modified financial asset or liability and are amortized over the remaining term of the modified instrument. Therefore, the original EIR determined at initial recognition is revised on modification to reflect any costs or fees incurred.

4. Summary of Significant accounting policies (Continued)***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

(j) Financial guarantees

Where a contract meets the definition of financial guarantee contract the Group, as an issuer, applies specific accounting and measurement requirements of IFRS 9. These IFRS 9 measurement requirements are applied for all guarantee contracts, including guarantees issued between entities under common control, as well as guarantees issued by a subsidiary on behalf of the parent. If a Group gives a guarantee on behalf of an entity under common control, a respective provision is recognized in the consolidated financial statements. Where transaction is driven by the Group's shareholders in their capacity as owners, the Group treats such transactions as an increase in provisions for financial guarantees and an equal and opposite decrease in equity (as a distribution of equity). Distributions of equity under financial guarantees are recognized in other reserves.

Financial guarantees are initially recognized in at fair value. Subsequently, unless the financial guarantee contract is designated at inception as at fair value through comprehensive income, Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortisation recognized in the consolidated statement of profit or loss and other comprehensive income, and ECL provision determined in accordance with IFRS 9. Amortisation is recognized in the consolidated statement of profit or loss and other comprehensive income under net other operating income on a straight-line basis over the term of guarantee.

Financial guarantees are derecognized if the terms of the guarantee are substantially changed. Changes in guarantee limit are treated as a derecognition. In such cases the original guarantee is derecognized, and a new guarantee is recognized at fair value. Change in the fair value is recognized as a decrease or increase in other reserves. Other reserves are transferred to retained earnings upon extinguishment of liabilities under the financial guarantee.

(k) Charter capital

Charter capital is classified as equity.

(l) Impairment**(i) Non-derivative financial assets**

The Group recognizes the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL and finance lease receivables (as due to lease contract specifics lease receivable does not contain any unguaranteed residual value, IFRS 9 provisions apply to full finance lease receivable balance). In this section all referred to as 'financial instruments'.

If there has been no significant increase in credit risk since origination, the ECL allowance is based on the 12 months' expected credit loss (12mECL).

If there has been a significant increase in credit risk since initial recognition, the ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

4. Summary of Significant accounting policies (Continued)***Impairment of finance lease receivables and loans and advances to customers******Defining credit rating***

Group's core business assets - financial lease receivables and loans and advances to customers - are of retail nature, therefore are grouped per products (finance lease receivables and loans and advances to customers) for a collective ECL calculation that is modelled based on DPD (days past due) classification.

Specifically, the Group analyzes its portfolio of finance lease receivables and loans and advances to customers by segregating receivables in categories according to each receivables' days past due metrics and presence of underlying collateral.

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group segregates finance lease receivables and loans and advances to customers in the following categories:

Finance lease receivables (lease):

- 1) Not past due
- 2) Days past due up to 30 days
- 3) Days past due 31 up to 60 days
- 4) Days past due over 60 days
- 5) unsecured (general definition: days past due over 90 or collateral is not available, i.e. lost or sold).

Loans and advances to customers (loan):

- 1) Not past due
- 2) Days past due up to 30 days
- 3) Days past due 31 up to 60 days
- 4) Days past due over 60 days
- 5) unsecured (general definition: days past due over 90 or collateral is not available, i.e. lost or sold)

Based on the above process, the Group groups its leases and loans into Stage 1, Stage 2, and Stage 3, as described below:

- Stage 1: When loans/leases are first recognized, the Group recognizes an allowance based on 12mECLs. The Group considers leases that are current or with DPD up to 30 as Stage 1.

A healing period of 1 month is applied before an exposure previously classified as Stage 2 can be transferred to Stage 1 and such an exposure must meet the general Stage 1 DPD criteria above. Exposures are classified out of Stage 1 if they no longer meet the criteria above.

- Stage 2: When a loan/lease has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The Group generally considers leases that have a status of 31-60 DPD to be Stage 2 loans. A loan is considered Stage 2 if DPD is in range of 30 to 60 days. Exposures remain in Stage 2 for a healing period of 1 month, even if they otherwise would meet Stage 1 criteria above during this period.
- Stage 3: Leases and loans considered credit-impaired and at default. The Group records an allowance for the LTECLs. The Group considers a finance lease agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 60 DPD on its contractual payments or the lease agreement is terminated. The Group considers a loan agreement defaulted and therefore Stage 3 in all cases when the borrower becomes 60 days past due on its contractual payments. Exposures remain in Stage 3 for a healing period of 2 months, even if they otherwise would meet Stage 2 criteria above during this period. For immature countries a 1 month healing period is applied to transfer the lease/ loan to Stage 2 due to the lower threshold of DPDs used initially to transfer such exposures in Stage 2.

Due to the nature of credit exposures of the Group (portfolios of rather homogenous and individually insignificant finance lease receivables and loans and advances to customers), qualitative assessment of whether a customer is in default is not performed for these exposures and primary reliance is placed on the above criteria.

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*(In Georgian Lari)***4. Summary of Significant accounting policies (Continued)***The calculation of ECLs*

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Key elements of the model are as follows:

- PD: the Probability of Default is an estimate of the likelihood of default over a 12 month or lifetime horizon (time horizon depends on ECL type - i.e. 12mECL or LTECL);
- the Default distribution vector (DDV) is the estimate of the time to default, more specifically it provides distribution of PD over the course of a 12 month or lifetime horizon;
- EAD: the Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments, whether scheduled by contract or otherwise;
- LGD: the Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the cash flows due at the moment of default and those that the lender would expect to receive, including from the realization of any collateral and deducting expenses related to cash collections or collateral realization processes. It is usually expressed as a percentage of the defaulted balance;
- lifetime period is estimated as average remaining contractual term of respective portfolio.

The Group employs multiplication model across all Stages for the ECL calculation:

$$ECL = EAD * PD * LGD * [DDV]$$

Given that DDV is a multidimensional vector (12 or 13 dimensions) it is aggregated into one value before multiplication - [DDV]. DDV aggregated value is obtained as follows:

- each value of the DDV is multiplied with discount factor;
- discount factor is calculated in a regular way (e.g. NPV formula), where discount is calculated on EIR of the portfolio and number of periods corresponds to the dimension of the respective DDV value;
- [DDV] is the sum of all respective multiplications of DDV values with respective discount factors.

Depending on the Stage the following specifics are applied to the general ECL model:

- Stage 1: The 12mECL is calculated. The Group calculates the 12mECL allowance using 12 months PDs and DDV over the 12-month horizon. These 12-month default probabilities are applied to an estimated EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR using DDV, in this way incorporating time to default into model.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are like those explained above, but PDs and DDV are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR using DDV.
- Stage 3: For loans considered credit-impaired, the Group recognizes the LTECLs for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

ECL on restructured and modified loans

Modifications performed to customers that serve to renegotiate terms of an agreement that was previously in default result in continued Stage 3 treatment during the one month healing period followed by 2 months of healing period in Stage 2.

In case of modification for credit reasons prior to default (generally term extension), exposure is moved to Stage 2 for a healing period of 2 months. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. Such items will be classified as Stage 2 assets for a healing period of 2 months reflective of the increase from initial credit risk.

4. Summary of Significant accounting policies (Continued)*Write-off of unrecoverable debts*

The Group considers any kind of receivable completely unrecoverable and writes off the receivable from balance sheet entirely if all legal actions have been performed to recover the receivable and the Group has no reasonable expectations of recovering the exposure.

Impairment of financial assets other than lease receivables and loans and advances to customers

Further financial assets where the Group calculates ECL on an individual basis or collective basis are:

- Other receivables
- Cash and cash equivalents

Financial assets are aggregated in categories considering the similarities of key risk characteristics and nature of each of these.

For other receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL recorded is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents default is considered as soon as balances are not cleared beyond conventional banking settlement timeline, ie., a few days. Therefore, transition is straight from Stage 1 to Stage 3 given the low number of days that it would take the exposure to reach Stage 3 classification, meaning default. For cash and cash equivalents no Stage 2 is applied given that any past due days would result in default.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit ("CGU").

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. Summary of Significant accounting policies (Continued)**(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A lease term reflects the Group's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Group bases its judgement on the broader economics of the contract and the underlying asset, rather than the contractual terms only and allows factors like economic penalties, legislative approach to renewal of the lease, forthcoming changes in regulation and the future business plans of the Group to be effectively captured in the estimate of the lease term.

(ii) As a lessor

Whilst financial lease receivables that represent financial instruments and to which IFRS 16 applies are within the scope of IAS 32 and IFRS 7, they are only within the scope of IFRS 9 to the extent that they are (1) subject to the derecognition provisions, (2) 'expected credit loss' requirements, (3) the relevant provisions that apply to derivatives embedded within leases, and (4) relate to sale and leaseback transactions.

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4. Summary of Significant accounting policies (Continued)

The Group is engaged in financial lease transactions by selling vehicles to its customers through financial lease contracts. The Group earns its profits predominantly from finance income over the lease term and not from initial selling profit.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. 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).

A lease is classified as a finance lease at the inception of the lease if it transfers substantially all the risks and rewards incidental to ownership. 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:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Further indicators that individually or in combination would also lead to a lease being classified as a finance lease are:

- the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee.

Initial measurement

At lease commencement, the Group accounts for a finance lease, as follows:

- derecognizes the carrying amount of the underlying asset; and
- recognizes the net investment in the lease.

Upon commencement of finance lease, the Group records the net investment in leases, which consists of the sum of the minimum lease payments receivable by a lessor under a finance lease, discounted at the interest rate implicit in the lease. The contracts with the customers stipulate that the title to the lease object passes to the lessee at the end of the lease term; hence, no unguaranteed residual value accrues to the lessor. The difference between the gross investment and the net investment is recorded as unearned finance lease income. Initial direct costs, such as client commissions and commissions paid by the Group to car dealers, are included in the initial measurement of the lease receivables.

Based on contractual provisions, prepayments and other payments received from customers are normally recorded in statement of financial position upon receipt and settled against respective client's finance lease receivables agreement at the moment of issuing next monthly invoice according to the agreement schedule.

Subsequent measurement

Finance lease income consists of the amortization of unearned finance lease income. Finance lease income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment according to effective interest rate in respect of the finance lease. Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

4. Summary of Significant accounting policies (Continued)

The Group recognizes income from variable payments that are not included in the net investment in the lease (e.g. performance based variable payments, such as penalties or debt collection income) separately in the period in which the income is earned. The lease term does not reflect the lessee exercising an option to terminate the lease due to high termination fees and resulting low probability of option exercise.

After lease commencement, the net investment in a lease is not remeasured unless the lease is modified, and the modified lease is not accounted for as a separate contract or the lease term is revised when there is a change in the non-cancellable period of the lease.

The Group applies derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

(o) Sale and leaseback transactions

The Group also engages in financing of vehicles already owned by the customers. Under such leaseback transactions the Group purchases the underlying asset from a customer and then leases it back to the same customer. Vehicle serves as a collateral to secure all leases. The Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the buyer-lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. It shall account for the financial asset as loans and advances to customers by applying IFRS 9.

The Group concluded that its sale and leaseback contract provisions are such that the transfer of asset from the seller-lessee to the Group does not satisfy and never satisfied the requirements of IFRS 15.

The Group has performed SPPI test for its sale and leaseback arrangements. Vehicle serves as a collateral to secure all of such loans. Sale and leaseback contracts include contractual terms that can vary the contractual cash flows in a way that is unrelated to a basic lending arrangement. Such cash flows arise in a case of borrowers' default and are related to repossessed car sales for which any excess gains can be retained by the Group and commissions and other fees charged to the customer that are not directly linked to outstanding principal/interest (e.g. external debt recovery costs being charged to clients with mark-up).

The Group has made relevant judgements and concluded that SPPI test is met in all above circumstances as 1) repossession commissions and fees charged by the Group are intended to cover the costs incurred by the Group in the debt servicing process under regular lending model, 2) the fact that the Group maintains proceeds from the sale of the repossessed car in excess of recovered exposure (if applicable) is not an evidence that the risk taken up by the Group is in fact the price risk of the car and not the credit risk.

The Group is able to sell the collateral and keep any surplus only on default and the occasional trivial gains from the transaction are not the purpose of the core business model (which is to earn interest income from the loan asset) and are not the focus of the business, but instead are just an instrument to minimise the credit losses, 3) termination penalties for non-recourse sale and leaseback transactions charged to the customers are also contractual elements intended to compensate for credit risk and do not result in any notable net gains to the Group.

5. Fair values and risk management**(a) Accounting classifications and fair values**

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Group has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

5. Fair values and risk management (Continued)**(b) Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk (see Note 5 (b)(ii));
- liquidity risk (see Note 5 (b)(iii));
- market risk (see Note 5 (b)(iv)); and
- interest rate risk (see Note 5 (b)(v)).

(i) Risk management framework

The Supervisory Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's finance lease receivables, loans and advances to customers, other receivables and cash at bank.

The key areas of credit risk policy cover lease and loan granting process (including solvability check), monitoring methods, as well as decision making principles. The Group operates by applying a clear set of finance lease and loan granting criteria. These criteria include assessing the credit history of customer, means of lease and loan repayment and understanding the object. The Group takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Group sets the credit limit for each and every customer. When the lease or loan agreement has been signed, the Group monitors the object and the customer's solvency. The Group has developed the monitoring process so that it helps to quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Group exposure to bad debts is minimized, and, where appropriate, provisions are being made.

The Group does not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The maximal credit risk exposure for finance lease receivables and loans and advances to customers are presented in Note 12 and Note 13.

As at 31 December 2023 and 2022 other receivables mainly consist of exposure towards an entity under common control of the Ultimate Parent Company, with the credit rating of B-. Management estimates that the impact of expected credit loss ("ECL") is immaterial at all reporting dates.

Cash at bank is held with the banks, which are rated BB- (long-term rating) and B (short-term rating), based on rating agency Fitch ratings. As at 31 December 2023 and 2022 all balances are neither overdue nor impaired and categorized under Stage 1. The Group does not expect any counterparty to fail to meet its obligations.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters or global pandemic.

The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with the related parties.

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5. Fair values and risk management (Continued)**Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments:

31 December 2023			Contractual cash flows		
Non-derivative financial liabilities	Carrying amount	Total	Up to 1 year	1-5 years	Over 5 years
Loans and borrowings	4,607,709	5,097,662	1,896,099	3,110,929	90,634
Lease liabilities	1,516,283	1,762,915	548,980	1,213,935	-
Trade payables	169,819	169,819	169,819	-	-
Other financial liabilities	809,573	809,573	809,573	-	-
Issued financial guarantee	2,661,120	2,661,120	2,661,120	-	-
	9,764,504	10,501,089	6,085,591	4,324,864	90,634

31 December 2022			Contractual cash flows		
Non-derivative financial liabilities	Carrying amount	Total	Up to 1 year	1-5 years	Over 5 years
Loans and borrowings	5,344,054	6,209,280	2,890,478	3,139,855	178,947
Lease liabilities	1,128,658	1,259,609	484,702	774,907	-
Trade payables	153,287	153,287	153,287	-	-
Other financial liabilities	229,147	229,147	229,147	-	-
Issued financial guarantee	9,591,820	9,591,820	9,591,820	-	-
	16,446,966	17,443,143	13,349,434	3,914,762	178,947

It is not expected that the cash flows included in the maturity analysis table above could occur significantly earlier, or at significantly different amounts.

As at 31 December 2023 the maximum amount of the contingent liability under the issued guarantee to Eleving Group S.A. and Mogo UCO LLC is EUR 0 million (31 December 2022: EUR 0 million) equivalent to GEL 0 (31 December 2022: GEL 0), and AMD400 million (31 December 2022: AMD 1,400) equivalent to GEL2,661,120 (31 December 2022: GEL9,591,820) respectively, which could be recalled on demand. The management expects that the guarantees will not be drawn before expiry of the commitment.

(iv) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group incurs financial liabilities, in order to manage market risks. The Group does not apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which purchases and borrowings are denominated and the functional currency of the Group. The functional currency of the Group is Georgian Lari (GEL). The currency in which these transactions are primarily denominated is EUR.

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*(In Georgian Lari)***5. Fair values and risk management (Continued)*****Exposure to currency risk***

The Group's exposure to foreign currency risk was as follows:

	EUR - denominated 2023	EUR - denominated 2022
Cash at banks	1,259,511	386,282
Loans and borrowings	(4,607,709)	(5,344,054)
Other payables	(313,537)	(231,072)
Net exposure	(3,661,735)	(5,188,844)

The following significant exchange rates have been applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
EUR	2.8436	3.0792	2.9753	2.8844

Sensitivity analysis

A reasonably possible strengthening/(weakening) of the GEL, as indicated below, against EUR at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sale and purchases:

	Profit or loss	
	Strengthening of GEL	Weakening of GEL
31 December 2023		
EUR (20% movement)	732,347	(732,347)
31 December 2022		
EUR (20% movement)	1,037,769	(1,037,769)

(v) Interest rate risk

The Group is not exposed to interest rate risk, as all lease receivables, loans and advances to customers and borrowings have fixed interest rates. The Group does not account for any fixed-rate financial instruments as FVTPL or FVOCI. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

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6. Net interest income

	2023	2022
Interest income		
Interest income from finance lease receivables	12,253,870	12,116,158
Interest income from loans and advances to customers according to effective interest rate method	7,567,372	8,335,757
	19,821,242	20,451,915
Interest expense		
Interest expenses for loans from P2P platform investors	(298,518)	(1,187,522)
Interest expenses for loans from banks	-	(7,126)
Interest expenses for loans from related parties	-	(200,546)
Interest expenses for lease liabilities (Note 21)	(80,277)	(99,671)
	(378,795)	(1,494,865)
Net interest income	19,442,447	18,957,050

7. Net expense from debt collection activities

	2023	2022
Income from debt collection activities	143,869	99,833
Expenses from debt collection activities	(346,100)	(489,349)
	(202,231)	(389,516)

8. Selling expense

	2023	2022
Marketing expenses	(546,222)	(327,126)
Other selling expenses	(3,185)	(8,005)
	(549,407)	(335,131)

9. General and administrative expense

	2023	2022
Management services	(2,709,656)	(3,468,395)
Employees' salaries	(3,132,080)	(3,077,302)
Depreciation and amortization	(719,980)	(814,529)
Office and branches' maintenance expenses	(322,329)	(290,219)
Professional services	(209,661)	(170,234)
IT services	(181,676)	(149,503)
GPS equipment cost	(85,225)	(144,949)
Credit database expenses	(95,885)	(97,443)
Communication expenses	(98,965)	(94,616)
Bank commissions	(37,774)	(44,582)
Other administrative expenses	(179,805)	(85,716)
	(7,773,036)	(8,437,488)

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10. Other operating income, net

	2023	2022
Other operating income		
Commission income	1,036,023	802,673
Income from guarantee provided (Note 20)	48,901	234,716
Interest income on bank deposits	311,264	170,559
Other	29,861	111,299
	<u>1,426,049</u>	<u>1,319,247</u>
Other operating expense		
Other	(135,177)	(198,013)
	<u>(135,177)</u>	<u>(198,013)</u>
Other operating income, net	<u>1,290,872</u>	<u>1,121,234</u>

11. Property and equipment and right-of-use assets

<i>GEL</i>	Equipment	Leasehold improvements	Right-of-use assets	Total
Cost				
At 1 January 2022	1,086,858	56,258	1,995,501	3,138,617
Additions	8,379	-	390,110	398,489
Disposals	(9,619)	-	(157,619)	(167,238)
At 31 December 2022	<u>1,085,618</u>	<u>56,258</u>	<u>2,227,992</u>	<u>3,369,868</u>
At 1 January 2023	1,085,618	56,258	2,227,992	3,369,868
Additions	18,472	3,664	1,067,605	1,089,741
Disposals	(9,502)	-	(764,127)	(773,629)
At 31 December 2023	<u>1,094,588</u>	<u>59,922</u>	<u>2,531,470</u>	<u>3,685,980</u>
Accumulated depreciation				
At 1 January 2022	(1,003,261)	(55,606)	(406,497)	(1,465,364)
Depreciation for the year	(53,275)	(652)	(760,533)	(814,460)
Depreciation on disposals	9,139	-	149,004	158,143
At 31 December 2022	<u>(1,047,397)</u>	<u>(56,258)</u>	<u>(1,018,026)</u>	<u>(2,121,681)</u>
At 1 January 2023	(1,047,397)	(56,258)	(1,018,026)	(2,121,681)
Depreciation for the year	(23,514)	(76)	(696,390)	(719,980)
Depreciation on disposals	9,490	-	740,730	750,220
At 31 December 2023	<u>(1,061,421)</u>	<u>(56,334)</u>	<u>(973,686)</u>	<u>(2,091,441)</u>
Carrying amounts				
At 31 December 2022	<u>38,221</u>	<u>-</u>	<u>1,209,966</u>	<u>1,248,187</u>
At 31 December 2023	<u>33,167</u>	<u>3,588</u>	<u>1,557,784</u>	<u>1,594,539</u>

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12. Finance lease receivables

	31.12.2023	31.12.2022
Finance lease receivables, gross	36,715,288	33,586,986
Expected credit loss	(3,936,145)	(4,481,185)
Finance lease receivable, net	32,779,143	29,105,801

(*) - During 2023, the Group sold the portfolio of impaired finance lease receivables and loans to customers with carrying amount of GEL277,061 and GEL439,723 respectively for a consideration of GEL511,696. The loss from the transaction of GEL205,088 was recognised in the consolidated statement of profit or loss and other comprehensive income.

	31 December 2023		
	Minimum lease payments	Unearned finance income	Finance lease receivables, gross
Up to one year	24,904,102	(11,330,728)	13,573,374
Years 2 through 5 combined	37,474,955	(16,535,588)	20,939,367
More than 5 years	2,973,615	(771,068)	2,202,547
	65,352,672	(28,637,384)	36,715,288

	31 December 2022		
	Minimum lease payments	Unearned finance income	Finance lease receivables, gross
Up to one year	23,257,713	(9,900,700)	13,357,013
Years 2 through 5 combined	32,805,254	(14,581,822)	18,223,432
More than 5 years	2,645,539	(638,998)	2,006,541
	58,708,506	(25,121,520)	33,586,986

	31.12.2023		31.12.2022	
	Non-current	Current	Non-current	Current
Finance lease receivables	23,145,642	13,330,442	20,258,528	12,994,787
Accrued interest and handling fee	-	449,461	-	473,399
Fees paid and received upon loan disbursement	(133,417)	(76,840)	(84,917)	(54,811)
Less: expected credit losses	(760,010)	(3,176,135)	(1,895,257)	(2,585,928)
Total finance lease receivable, net	22,252,215	10,526,928	18,278,354	10,827,447

The table below shows the credit quality and the maximum exposure to credit risk based on delays days and year-end stage classification. The Group does not have the system of internal credit rating. The amounts presented are gross of expected credit losses.

	31.12.2023			
	Stage 1	Stage 2	Stage 3	Total
- not overdue	28,559,335	357,322	92,712	29,009,369
- overdue less than 30 days	2,342,092	277,456	103,435	2,722,983
- overdue more than 31 days and less than 60 days	-	481,199	271,095	752,294
- overdue more than 60 days	-	-	4,230,642	4,230,642
Total gross finance lease receivables	30,901,427	1,115,977	4,697,884	36,715,288

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(In Georgian Lari)

12. Finance lease receivables (Continued)

	31.12.2022			
	Stage 1	Stage 2	Stage 3	Total
- not overdue	24,544,834	374,570	346,148	25,265,552
- overdue less than 30 days	2,416,863	284,445	70,773	2,772,081
- overdue more than 31 days and less than 60 days	-	228,923	95,524	324,447
- overdue more than 60 days	-	9,261	5,215,645	5,224,906
Total gross finance lease receivables	26,961,697	897,199	5,728,090	33,586,986

analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to finance lease receivables are, as follows:

Finance lease receivables			
	31.12.2023	Change during the year	01.01.2023
Stage 1	30,844,427	3,899,107	26,945,320
Stage 2	1,104,741	220,639	884,102
Stage 3	4,766,120	(991,444)	5,757,564
	36,715,288	3,128,302	33,586,986

Finance lease receivables			
	31.12.2022	Change during the year	01.01.2022
Stage 1	26,945,320	(1,576,234)	28,521,554
Stage 2	884,102	(631,156)	1,515,258
Stage 3	5,757,564	2,833,671	2,923,893
	33,586,986	626,281	32,960,705

Credit loss allowance			
	31.12.2023	Change during the year	01.01.2023
Stage 1	803,912	140,939	662,973
Stage 2	211,487	71,904	139,583
Stage 3	2,920,746	(757,883)	3,678,629
	3,936,145	(545,040)	4,481,185

Credit loss allowance			
	31.12.2022	Change during the year	01.01.2022
Stage 1	662,974	54,772	608,202
Stage 2	139,583	(151,036)	290,619
Stage 3	3,678,628	1,894,512	1,784,116
	4,481,185	1,798,248	2,682,937

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For the year ended 31 December 2023

(In Georgian Lari)

12. Finance lease receivables (Continued)

The following tables show reconciliations from the opening to the closing balances of the expected credit losses for finance lease receivables for the year ended 31 December 2023 and 31 December 2022:

	2023			
Finance lease receivables	Stage 1	Stage 2	Stage 3	TOTAL
Balance at 1 January	26,945,320	884,102	5,757,564	33,586,986
Transfer to Stage 1	404,906	(297,897)	(107,009)	-
Transfer to Stage 2	(649,181)	671,057	(21,876)	-
Transfer to Stage 3	(3,485,796)	(288,506)	3,774,302	-
New financial assets originated or purchased	16,131,481	455,578	875,466	17,462,525
Receivables settled	(6,230,345)	(98,208)	(62,106)	(6,390,659)
Receivables written off	(240,781)	(80,980)	(280,404)	(602,165)
Sold debts written off	(1,567)	-	(3,336,229)	(3,337,796)
Receivables partially settled	(2,029,610)	(140,405)	(1,833,588)	(4,003,603)
Balance at 31 December	30,844,427	1,104,741	4,766,120	36,715,288

	2023			
Impairment allowance	Stage 1	Stage 2	Stage 3	TOTAL
Balance at 1 January	662,973	139,583	3,678,629	4,481,185
Transfer to Stage 1	75,602	(39,969)	(35,633)	-
Transfer to Stage 2	(22,491)	29,006	(6,515)	-
Transfer to Stage 3	(111,493)	(48,102)	159,595	-
Impairment for new financial assets originated or purchased	401,844	87,457	410,871	900,172
Reversed impairment for settled receivables	(139,580)	(15,411)	(33,461)	(188,452)
Reversed impairment for written off receivables	(188,582)	(60,393)	(370,958)	(619,933)
Reversed impairment for sold debts written off receivables	(1,923)	-	(2,903,305)	(2,905,228)
Net remeasurement of loss allowance	127,562	119,316	2,021,523	2,268,401
Balance at 31 December	803,912	211,487	2,920,746	3,936,145

	2022			
Finance lease receivables	Stage 1	Stage 2	Stage 3	TOTAL
Balance at 1 January	28,521,554	1,515,258	2,923,893	32,960,705
Transfer to Stage 1	381,280	(363,891)	(17,389)	-
Transfer to Stage 2	(604,374)	626,131	(21,757)	-
Transfer to Stage 3	(2,871,420)	(632,322)	3,503,742	-
New financial assets originated or purchased	12,393,266	304,463	1,212,244	13,909,973
Receivables settled	(8,165,630)	(230,931)	(46,255)	(8,442,816)
Receivables written off	(667,606)	(225,359)	(530,750)	(1,423,715)
Receivables partially settled	(2,041,750)	(109,247)	(1,266,164)	(3,417,161)
Balance at 31 December	26,945,320	884,102	5,757,564	33,586,986

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(In Georgian Lari)

12. Finance lease receivables (Continued)

	2022			
	Stage 1	Stage 2	Stage 3	TOTAL
Impairment allowance				
Balance at 1 January	608,202	290,619	1,784,116	2,682,937
Transfer to Stage 1	65,306	(59,958)	(5,348)	-
Transfer to Stage 2	(20,308)	27,001	(6,693)	-
Transfer to Stage 3	(84,899)	(131,817)	216,716	-
Impairment for new financial assets originated or purchased	296,354	48,826	578,841	924,021
Reversed impairment for settled receivables	76,369	(29,468)	(3,881)	43,020
Reversed impairment for written off receivables	(21,639)	(44,680)	(311,913)	(378,232)
Net remeasurement of loss allowance	(256,411)	39,060	1,426,790	1,209,439
Balance at 31 December	662,974	139,583	3,678,628	4,481,185

13. Loans and advances to customers

	31.12.2023	31.12.2022
Loans and advances to customers	19,181,634	20,924,325
Expected credit losses	(2,132,886)	(3,210,194)
Total net loans and advances to customers at amortised cost	17,048,748	17,714,131

	31 December 2023		
	Minimum lease payments	Unearned finance income	Loans and advances to customers, gross
Up to one year	14,123,774	(5,732,467)	8,391,307
Years 2 through 5 combined	16,884,026	(6,806,974)	10,077,052
More than 5 years	946,514	(233,239)	713,275
	31,954,314	(12,772,680)	19,181,634
	31 December 2022		
	Minimum lease payments	Unearned finance income	Loans and advances to customers, gross
Up to one year	15,635,993	(5,918,926)	9,717,067
Years 2 through 5 combined	17,636,955	(7,423,112)	10,213,843
More than 5 years	1,311,645	(318,230)	993,415
	34,584,593	(13,660,268)	20,924,325

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For the year ended 31 December 2023

(In Georgian Lari)

13. Loans and advances to customers (Continued)

	31.12.2023		31.12.2022	
	Non-current	Current	Non-current	Current
Loans and advances to customers	10,866,464	8,186,822	11,309,499	9,521,960
Accrued interest and handling fee	-	365,634	-	373,809
Fees paid and received upon loan disbursement	(135,530)	(101,756)	(153,125)	(127,818)
Less: expected credit losses	(373,844)	(1,759,042)	(1,178,243)	(2,031,951)
Total Loans and advances to customers, net	10,357,090	6,691,658	9,978,131	7,736,000

	31.12.2023			
	Stage 1	Stage 2	Stage 3	Total
- not overdue	14,675,299	151,050	73,979	14,900,328
- overdue less than 30 days	1,564,874	196,610	36,330	1,797,814
- overdue more than 31 days and less than 60 days	-	209,845	136,867	346,712
- overdue more than 60 days	-	-	2,136,780	2,136,780
Total gross Loans and advances to customers	16,240,173	557,505	2,383,956	19,181,634

	31.12.2022			
	Stage 1	Stage 2	Stage 3	Total
- not overdue	14,420,968	307,720	244,325	14,973,013
- overdue less than 30 days	1,698,791	264,506	35,442	1,998,739
- overdue more than 31 days and less than 60 days	-	210,085	145,843	355,928
- overdue more than 60 days	-	-	3,596,645	3,596,645
Total gross Loans and advances to customers	16,119,759	782,311	4,022,255	20,924,325

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers are, as follows:

	Loans and advances to customers		
	31.12.2023	Change during the year	01.01.2023
Stage 1	16,332,559	67,710	16,264,849
Stage 2	548,465	(241,302)	789,767
Stage 3	2,300,610	(1,759,984)	4,060,594
	19,181,634	(1,933,576)	21,115,210

	Loans and advances to customers		
	31.12.2022	Change during the year	01.01.2022
Stage 1	16,171,961	(2,355,801)	18,527,762
Stage 2	770,659	(621,717)	1,392,376
Stage 3	3,981,705	1,740,051	2,241,654
	20,924,325	(1,237,467)	22,161,792

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(In Georgian Lari)

13. Loans and advances to customers (Continued)

	Credit loss allowance		
	31.12.2023	Change during the year	01.01.2023
Stage 1	443,526	28,402	415,124
Stage 2	105,987	(18,567)	124,554
Stage 3	1,583,373	(1,087,143)	2,670,516
	2,132,886	(1,077,308)	3,210,194

	Credit loss allowance		
	31.12.2022	Change during the year	01.01.2022
Stage 1	415,178	(12,923)	428,101
Stage 2	124,552	(144,606)	269,158
Stage 3	2,670,464	1,278,902	1,391,562
	3,210,194	1,121,373	2,088,821

The following tables show reconciliations from the opening to the closing balances of the expected credit losses for loans and advances to customers for the year ended 31 December 2023 and 31 December 2022:

Loans and advances to customers	2023			
	Stage 1	Stage 2	Stage 3	TOTAL
Balance at 1 January	16,264,849	789,767	4,060,594	21,115,210
Transfer to Stage 1	334,824	(249,644)	(85,180)	-
Transfer to Stage 2	(381,350)	401,474	(20,124)	-
Transfer to Stage 3	(1,437,229)	(266,496)	1,703,725	-
New financial assets originated or purchased	7,037,553	196,284	319,530	7,553,367
Receivables settled	(4,377,547)	(76,189)	(46,027)	(4,499,763)
Receivables written off	(166,975)	(89,448)	(232,481)	(488,904)
Sold debts written off	-	-	(2,305,141)	(2,305,141)
Receivables partially settled	(941,566)	(157,283)	(1,094,286)	(2,193,135)
Balance at 31 December	16,332,559	548,465	2,300,610	19,181,634

Impairment allowance	2023			
	Stage 1	Stage 2	Stage 3	TOTAL
Balance at 1 January	415,124	124,554	2,670,516	3,210,194
Transfer to Stage 1	61,050	(35,679)	(25,371)	-
Transfer to Stage 2	(12,897)	18,891	(5,994)	-
Transfer to Stage 3	(46,557)	(47,330)	93,887	-
Impairment for new financial assets originated or purchased	182,255	36,180	157,034	375,469
Reversed impairment for settled receivables	(105,084)	(10,271)	(18,498)	(133,853)
Reversed impairment for written off receivables	(160,484)	(70,692)	(324,350)	(555,526)
Reversed impairment for sold debts written off receivables	-	-	(2,020,925)	(2,020,925)
Net remeasurement of loss allowance	110,119	90,334	1,057,074	1,257,527
Balance at 31 December	443,526	105,987	1,583,373	2,132,886

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(In Georgian Lari)

13. Loans and advances to customers (Continued)

Loans and advances to customers	2022			
	Stage 1	Stage 2	Stage 3	TOTAL
Balance at 1 January	18,527,762	1,392,376	2,241,654	22,161,792
Transfer to Stage 1	246,037	(219,345)	(26,692)	-
Transfer to Stage 2	(458,849)	465,133	(6,284)	-
Transfer to Stage 3	(1,784,698)	(428,100)	2,212,798	-
New financial assets originated or purchased	7,457,980	302,740	788,974	8,549,694
Receivables settled	(5,793,194)	(216,057)	(46,803)	(6,056,054)
Receivables written off	(757,325)	(427,188)	(532,001)	(1,716,514)
Receivables partially settled	(1,265,752)	(98,900)	(649,941)	(2,014,593)
Balance at 31 December	16,171,961	770,659	3,981,705	20,924,325

Impairment allowance	2022			
	Stage 1	Stage 2	Stage 3	TOTAL
Balance at 1 January	428,101	269,158	1,391,562	2,088,821
Transfer to Stage 1	46,191	(37,978)	(8,213)	-
Transfer to Stage 2	(12,933)	14,870	(1,937)	-
Transfer to Stage 3	(60,476)	(87,059)	147,535	-
Impairment for new financial assets originated or purchased	182,530	47,088	365,739	595,357
Reversed impairment for settled receivables	(3,187)	(32,451)	(13,624)	(49,262)
Reversed impairment for written off receivables	(25,865)	(85,269)	(301,552)	(412,686)
Net remeasurement of loss allowance	(139,183)	36,193	1,090,954	987,964
Balance at 31 December	415,178	124,552	2,670,464	3,210,194

14. Credit loss expense

The table below shows the movement of finance lease receivables' expected credit loss in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2023 and 2022:

	2023	2022
Change in impairment of finance lease receivables	(2,360,188)	(1,798,248)
Written off debts	(1,141,932)	(1,430,112)
Change in impairment of loans and advances to customers	(943,617)	(1,121,373)
Total credit loss expense	(4,445,737)	(4,349,733)

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*(In Georgian Lari)***15. Other receivables**

	31.12.2023	31.12.2022
Receivable from related party	629,309	629,309
Receivable from quick payments providers	236,636	179,023
Advances paid for goods and services	33,980	22,344
Receivable from sale of portfolio		-
Receivable commission fees	37	-
Other	16,306	48,597
	916,268	879,273

As of 31 December 2023, the Group has receivables due from an entity under common control in the amount of GEL 629,309 (31 December 2022: GEL 629,309) from the sale of repossessed vehicles.

The Group's exposure to credit and currency risks are disclosed in Note 5.

16. Cash at bank

	31.12.2023	31.12.2022
Bank balances	9,251,851	2,359,556
Cash at bank in the statement of financial position and in the statement of cash flows	9,251,851	2,359,556

The Group's exposure to credit and currency risks are disclosed in Note 5.

17. Equity**(a) Charter capital**

As at 31 December 2023 the authorized and fully paid capital of the Group is GEL 200,000 (2022: GEL 200,000).

(b) Other reserves

Other reserves represent non-cash distributions by the Group to the Parent, see Note 20.

(c) Dividends

In accordance with Georgian legislation, the Group's distributable reserves are limited to the balance of retained earnings as recorded in the Group's statutory consolidated financial statements prepared in accordance with IFRSs.

The Group has not declared any dividends in 2023 and 2022.

(d) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

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(In Georgian Lari)

18. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, currency and liquidity risk, see Note 5.

	31.12.2023	31.12.2022
Non-current liabilities		
Financing received from P2P investors	2,906,660	2,863,326
	2,906,660	2,863,326
Current liabilities		
Financing received from P2P investors	1,701,049	2,480,728
	1,701,049	2,480,728
	4,607,709	5,344,054

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31.12.2023		31.12.2022	
				Face value	Carrying amount	Face value	Carrying amount
Financing received from P2P investors	EUR, GBP	7%-13.5%	2026	4,607,709	4,607,709	5,344,054	5,344,054
Total interest-bearing liabilities				4,607,709	4,607,709	5,344,054	5,344,054

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2023	2022
1 January	5,344,054	20,782,060
Proceeds from borrowings	6,305,318	13,064,104
Interest expense	298,518	1,395,193
Repayment of principal	(7,128,391)	(24,620,776)
Repayment of interest	(284,880)	(1,464,079)
Net foreign exchange loss	73,090	(3,812,448)
31 December	4,607,709	5,344,054

19. Other liabilities

	31.12.2023	31.12.2022
Accrued liabilities against related parties	266,078	229,147
Salary payables	211,020	166,982
Payable for attracted funding through P2P platform	47,459	-
Other payables	285,016	229,715
	809,573	625,844

The Group's exposure to currency and liquidity risk related to other liabilities is disclosed in Note 5.

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For the year ended 31 December 2023

*(In Georgian Lari)***20. Provision for financial guarantee**

In 2018 the Group entered into a financial guarantee agreement issued in favor of bondholders of Eleving Group S.A. The guarantee was issued to secure Eleving Group S.A. exposure after issuing corporate bonds (as of 31 December 2023 the total par value of bonds is EUR 150 mln, as of 31 December 2022 - EUR 150 mln¹), which are listed on the Open Market of the Frankfurt Stock Exchange. Under the guarantee agreement, the Group and other entities under common control irrevocably guarantee the payment of Eleving Group S.A. liabilities towards its bondholders in case of Eleving Group S.A. default under the provisions of bond prospectus.

¹ - In October 2021 the original guarantee agreement was revised following Eleving Group S.A. tap bond issue of additional EUR 50 million. The Group did not receive compensation for guarantee provided. The amended guarantee agreement increased the total exposure of the Group. The change was deemed to be substantial modification of the guarantee agreement. Accordingly, the original guarantee was derecognized and a new financial guarantee was recognized.

At the end of June, 2022 a new guarantor - (UAB Renti) added, so remeasurement was performed as substantial modifications of financial assets occurred. Based on new recalculation (as of 30 June 2022) the guarantee's fair value was measured as Zero, because of the fact that LUX assets (Eleving Group S.A. other assets) covers more than total exposures. Change in the fair value recognized as a decrease in other reserves. Other reserves were transferred to retained earnings upon extinguishment of liabilities under the financial guarantee.

Based on new recalculation (as of 30 September 2023) the guarantee's fair value was measured as Zero, because of the fact that LUX assets (Eleving Group S.A. other assets) covers more than total exposures.

In 2021 the Group entered into a financial guarantee agreement issued in favor of lender Ardshinbank CJSC of Mogo UCO LLC. The guarantee was issued to secure the loan received by Mogo UCO LLC in the amount of AMD3,400 mln. Under the guarantee agreement, the Group and other entities under common control irrevocably guarantee the payment of Mogo UCO LL liabilities towards its lender in case of Mogo UCO LLC default.

The Group did not receive compensation for the guarantees provided. Fair value of the guarantee is recognized as liability and as a distribution of equity under "Other reserves". The amount of the financial guarantee liability is amortized to income in accordance with IFRS 15 on a straight line basis till bond maturity, and loan maturity (2 February 2024).

After initial recognition, the liabilities under the financial guarantees are measured at the higher of the amount initially recognized less cumulative amortization recognized through linear amortization and an ECL provision. The ECL provision for the financial guarantees are a Stage 1 exposures. The ECL for the guarantees issued by the Group is lower than related carrying amount as at 31 December 2023 and 31 December 2022 and therefore no ECLs were recognized.

As at 31 December 2023 Eleving Group S.A. was rated "B-" by a third party (31 December 2022: "B-").

	Provision for financial guarantee	Other reserves
31 December 2021	1,320,684	(2,833,431)
Remeasurement of financial guarantee	(912,462)	2,599,586
Foreign exchange and other movements	(122,497)	-
Amortisation (Note 10)	(234,716)	-
31 December 2022	51,009	(233,845)
Foreign exchange and other movements	(1,028)	-
Amortisation (Note 10)	(48,901)	-
31 December 2023	1,080	(233,845)

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*(In Georgian Lari)***21. Leases****(a) Leases as lessee**

The Group has entered into several lease agreements for office premises and branches. Lease terms and rental calculations vary between different lease agreements. The leases typically run for a minimum non-cancellable period of 1-3 years.

Information about leases for which the Group is a lessee and records a right-of-use asset and a lease liability is presented below, movements of right-of-use asset is presented in Note 11.

Amounts recognized in profit or loss**2023 - Leases under IFRS 16**

Interest on lease liabilities	80,277
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2022 - Leases under IFRS 16

Interest on lease liabilities	99,671
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Amounts recognized in statement of cash flows

	2023
Interest paid on lease liability	(80,277)
Repayment of lease liability	(638,000)
Total cash outflow for leases	(718,277)

	2022
Interest paid on lease liability	(99,671)
Repayment of lease liability	(695,862)
Total cash outflow for leases	(795,533)

(b) Lease term and extension options

The Group interprets lease enforceability in lease contracts broadly. A lease term reflects the Group's reasonable estimate of the period during which the underlying asset will be used. In determining the lease term the Group bases its judgement on the broader economics of the contract and the underlying asset, rather than the contractual terms only and allows factors like economic penalties, legislative approach to renewal of the lease and forthcoming changes in regulation to be effectively captured in the estimate of the lease term.

In determination of the enforceable period of the lease, the Group also considers the costs of abandoning or dismantling non-removable leasehold improvements, cost of relocation, etc.

All leases are cancellable by the lessee before the maturity of the lease contracts. The Group analysed all the relevant facts and circumstances and concluded that the lease term mostly equals to the period till contractual maturity.

22. Commitments

As at 31 December 2023, the Group has issued a guarantee to the Ultimate Parent Company and fellow subsidiary - Mogo UCO LLC. According to the guarantee contracts the Group unconditionally and irrevocably guarantees the payment of the liabilities of the Ultimate Parent Company and Mogo UCO LLC in amount of EUR 150 million (31 December 2022: EUR 150 million) and AMD400 million (31 December 2022: 1,400 million), respectively, towards the bondholders and lenders in case of default by the Ultimate Parent Company and a fellow subsidiary, under the provisions of bond prospectus and loan agreement, respectively (see also Note 20).

23. Contingencies**(a) Insurance**

The insurance industry in Georgia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its property, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

In December of 2019 the Georgian tax administration has initiated a transfer pricing audit for the Group. The audit covers financial years 2016, 2017 and 2018. The final decision issued by the Georgian tax administration has been received with respect to 2016, 2017 and 2018. The final decision related to fiscal year 2016 was appealed at Tbilisi City Court. The Georgian tax administration has challenged that interest rate applied by Eleving Group S.A. on loan issued to the Group complies with arm's length principle. According to mentioned decisions additional tax charges in the amount of GEL650 thousand, GEL826 thousand and GEL1,148 thousand have been imposed on the Group for 2016, 2017 and 2018, respectively. The amounts have been reduced within the litigation process, partly covered from the existing positive balance with the Georgian state budget and the rest amount was paid therein.

Management of the Group considers that the interest rate applied on the loan from Eleving Group S.A. is a market rate. Since January 2020 the Group started to appeal the decisions of the Georgian tax administration.

Management's position is to use all available local and international measures to justify its transfer pricing policies and cancel the final decisions for 2016 and 2018 as well as the existing decision for 2017. Management concludes it is not probable that the Georgian Tax administration will accept an uncertain tax treatment. The Group has not recognized tax expenses related to transfer pricing audit in its consolidated financial statements.

(c) Litigations

In the ordinary course of business, the Group is subject to legal actions, litigations and complaints. Management believes that the ultimate liability not already provided for, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

24. Related parties**(a) Parent and ultimate controlling party**

The Group's immediate parent company is JSC AS Eleving Stella, a Company incorporated in Latvia (see Note 1 (b)). The Group's ultimate parent company is Eleving Group S.A.. The annual report of Eleving Group S.A. is publicly available on its website: www.eleving.com.

(b) Transactions with key management personnel**Key management remuneration**

Key management received the following remuneration during the year, which is included in employees' salaries expenses (see Note 9):

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(In Georgian Lari)

24. Related parties (Continued)

	2023	2022
Salaries and bonuses	(278,813)	(246,387)
	<u>(278,813)</u>	<u>(246,387)</u>

(c) Other related party transactions

	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2023	2022	2023	2022
Sale of goods and services				
Fellow subsidiaries:				
Other receivables (Note 15)	-	-	629,309	629,309

	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2023	2022	2023	2022
Purchase of goods and services				
Fellow subsidiaries:				
Other liabilities (Note 19)	2,879,106	3,597,589	266,078	229,147
Car dealership commission	273	1,122	158	431

	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2023	2022	2023	2022
Provision for financial guarantee				
Fellow subsidiary	-	-	1,080	51,008

In 2023 amortized income on financial guarantee amounted to GEL48,901 (2022: GEL234,716), see Note 10.

All outstanding balances with related parties except for the loan received and the provision for financial guarantee are to be settled in cash within six months of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of the amounts owed by the related parties.

25. Subsequent events

– Change of shareholder

In February 2024 by the decision of the Board of JSC Eleving Stella (40103964830), Mogo LLC was transferred with free of charge to Eleving Stella UAB LLC, whose director is Valerii Petrov (P/N 38709080015/Lithuania), and the representative person with legal power in Georgia is Anna Kursua (P/N 62001040016). As a result of this transaction the sole shareholder (100%) of the Group is represented as Eleving Stella UAB LLC.

– Loans and borrowings

In 2024 the Group fully repaid received loans from Mintos (Financing received from P2P investors), as a result the Group currently has not any borrowings at the date of issuing of abovementioned consolidated financial statement.

25. Subsequent events (Continued)**– Sale of Lease Portfolio**

In 2024 March, the Group sold the portfolio of impaired finance lease receivables and loans to customers with carrying amount of GEL132,115 (The total number of loans in the leasing portfolio is 140, and the total gross value of items is 621,541 GEL (this includes the principal amount of the lease, interest benefits, and fines)) and GEL 292,197 (The total number of loans in the leasing portfolio is 244, and the total gross value of items is 1,280,287 GEL (this includes the principal amount of the lease, interest benefits, and fines)), respectively, for a consideration of GEL222,501. The loss from the transaction of GEL 201,811 was recognised in the consolidated statement of profit or loss and other comprehensive income.