

**Georgian Federation of Professional Accountants and Auditors (GFPAA)**

**Independent Auditor's Report  
and  
Consolidated Financial Statements  
for the Reporting Year Ended on  
December 31, 2021**

**Tbilisi**

2022

## Georgian Federation of Professional Accountants and Auditors (GFPAA)

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# *Audit Company*

## **Independent Auditor's Report**

To the management of Georgian Federation of Professional Accountants and Auditors (GFPAA),

NCLE

## **Auditor's Report on Consolidated Financial Statements**

### **Opinion**

We have audited the accompanying consolidated financial statements of Georgian Federation of Professional Accountants and Auditors (GFPAA), NCLE, which comprise consolidated statement of financial position as at December 31, 2021, and the consolidated Statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other disclosures.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Georgian Federation of Professional Accountants and Auditors (GFPAA), NCLE, as at December 31, 2021, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium Enterprises (IFRS of SMEs).

### **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities as defined under the standards are described in detail in the section 'Auditor's Responsibility for the Audit of Financial Statement' of the Auditor's Reports. We are independent from the Georgian Federation of Professional Accountants and Auditors in compliance with the Code of Ethics issued by International Ethics Standards Board for Accountants (IESBA) and those ethical norms, which are related to the audit of the financial statements conducted by us. Besides, we fulfilled other ethical obligations required by the norms and the Code of Ethics by IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibilities of the Management and Persons in Charge of Governance for the Financial Statements**

Management is responsible for preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium Entities (IFRS of SMEs), as well as for

establishment of such internal control that it considers necessary for preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The persons in charge of governance are responsible for overseeing the process for preparation and presentation of GFPAA's financial statements.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objective is to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement whether due to fraud or error and to prepare auditor's report, which contains our opinion. The reasonable assurance represents high level assurance but it is not a guarantee that audit conducted in accordance with ISA will always reveal any such misstatement. The misstatements might be caused due to fraud or error and they are considered material if it is reasonably expected that they, together or separately, will have impact on the economic decisions of the users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of 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 Georgian Federation of Professional accountants and auditors'( GFPAA) 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 Georgian Federation of Professionals Accountants and Auditors (GFPAA)'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Georgian Federation of Professionals Accountants and Auditors (GFPAA) 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.

We are required to communicate with the management of Georgian Federation of professional accountants and auditors (GFPAA) regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

On behalf of Intelect Audit (REG. №SARASF583489)

Engagement Partner, Auditor Lasha Vepkhvadze (Reg. № SARAS-A-730184)

29/07/2022



Georgian Federation of Professional Accountants and Auditors (GFPAA),  
 Consolidated Statement of Comprehensive Income as of December 31, 2021  
 (in GEL)

	Notes	December 31, 2021	December 31, 2020
<b>Revenue</b>	5	910,444	1,134,908
<b>Other Incomes</b>	6	298,256	348,395
<b>Changes in Inventory Balance</b>		(53,649)	(57,307)
Purchase of Inventory		(67,489)	(137,901)
Salary Expenses		(763,071)	(869,322)
Depreciation and Amortization Expense		(35,380)	(40,179)
Other Expenses	7	(367,975)	(425,301)
<b>Profit Before Tax</b>		<b>(78,864)</b>	<b>(46,707)</b>
Tax Expense		-	(12,353)
<b>Annual Profit</b>		<b>(78,864)</b>	<b>(59,060)</b>
<b>Total Comprehensive Income</b>		<b>(78,864)</b>	<b>(59,060)</b>
<b>Share of parent company</b>		<b>(72,473)</b>	<b>(63,421)</b>
<b>Non-controlling Interest</b>		<b>(6,391)</b>	<b>4361</b>

On behalf of the management:

Lavrenti Chumburidze  
 Executive Director

Qetevan abesalashvili  
 Chief Accountant

July 29, 2022  
 Tbilisi, Georgia

Georgian Federation of Professional Accountants and Auditors (GFPAA),  
 Consolidated Statement of Financial Position as of December 31, 2021  
 ( in GEL )

	Notes	December 31,2021	December 31,2020
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	8	683,385	720,116
Intangible Assets	9	4,515	5,538
Goodwill	16	5,111	5,679
<b>Total Non-Current Assets</b>		<b>693,011</b>	<b>731,333</b>
<b>Current Assets</b>			
Inventory	10	105,666	159,315
Trade and Other Receivables	11	321,546	286,398
Cash and Cash Equivalents	12	715,906	757,376
<b>Total Current Assets</b>		<b>1,143,118</b>	<b>1,203,089</b>
<b>Total Assets</b>		<b>1,836,129</b>	<b>1,934,422</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
GFPAA Development Fund	13	1,407,013	1,459,682
Retained Profit-Loss		(78,864)	(59,060)
Non-controlling Interest		300,166	306,557
<b>Total Equity</b>		<b>1,628,315</b>	<b>1,707,179</b>
<b>Current Liabilities</b>			
Trade and Other Payables	14	197,300	210,593
Tax Liabilities	15	10,514	16,650
<b>Total Current Liabilities</b>		<b>207,814</b>	<b>227,243</b>
<b>Total Equity and Liabilities</b>		<b>1,836,129</b>	<b>1,934,422</b>

On behalf of the management:

Lavrenti Chumburidze  
 Executive Director

Qetevan abesalashvili  
 Chief Accountant

July 29,2022  
 Tbilisi , Georgia

The notes on pages 10-25 form an integral part of these financial statements.

Georgian Federation of Professional Accountants and Auditors (GFPAA),  
Consolidated Statement of Changes in Equity as of December 31, 2021

(in GEL)

	GFPAA Development Fund	Non-controlling Interest	Total
<b>Balance at 31.12.2019</b>	<b>1,464,043</b>	<b>336,496</b>	<b>1,800,539</b>
Current period net profit-loss	(63,421)	4,361	(59,060)
Dividends issued	-	(34,300)	(34,300)
<b>Balance at 31.12.2020</b>	<b>1,400,622</b>	<b>306,557</b>	<b>1,707,179</b>
Current period net profit-loss	(72,473)	(6,391)	(78,864)
Dividends issued	-	-	-
<b>Balance at 31.12.2021</b>	<b>1,328,149</b>	<b>300,166</b>	<b>1,628,315</b>

On behalf of the management:

Lavrenti Chumburidze  
Executive Director

Qetevan abesalashvili  
Chief Accountant

July 29, 2022  
Tbilisi, Georgia



Georgian Federation of Professional Accountants and Auditors (GFPAA),

Consolidated Cash Flow Statement as of December 31, 2021

(in GEL)

	December 31, 2021	December 31, 2020
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	1,017,559	1,253,065
Membership fees	147,883	144,609
Other operating income	51,128	40,376
Salaries paid	(637,199)	(601,880)
Taxes paid	(296,064)	(320,135)
Payment of administrative and other non-operating expenses	(101,625)	(312,174)
Cash paid to suppliers	(93,519)	(139,233)
Dividends issued	-	(31,219)
Rent paid	(110,375)	(103,370)
Membership fees paid	(16,506)	(15,278)
<b><i>Net cash from operating activities</i></b>	<b>(38,718)</b>	<b>(85,239)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of non-current assets	-	(6,000)
Purchase of property, plant and equipment	(2,752)	(5,810)
<b><i>Net cash flows from investing activities</i></b>	<b>(2,752)</b>	<b>(11,810)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(41,470)</b>	<b>(97,048)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>757,376</b>	<b>854,424</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>715,906</b>	<b>757,376</b>

On behalf of the management:

Lavrenti Chumburidze  
Executive Director

Qetevan abesalashvili  
Chief Accountant

July 29, 2022  
Tbilisi, Georgia

**Georgian Federation of Professional Accountants and Auditors (GFPAA),  
Disclosure of Notes to Consolidated Financial Statements  
for the Year Ended on December 31, 2021  
(in GEL)**

**1. General information**

In line with the Georgian legislation **Georgian Federation of Accountants and Auditors (GFPAA)** represents membership based professional organization (registered union). Legal address and location of the GFPAA is 61 Tsereteli Avenue, Tbilisi, Georgia. Activities of the GFPAA are mainly related to training, re-training, professional certification and continuous education of accountants and auditors. These financial statements represent Annual Consolidated Financial Statements of GFPAA and its subsidiaries: Institute of Professional Accountants Ltd and Journal "Accounting - Reporting" Ltd

The institute mainly carries out educational activity, training and re-training of accountants.

Journal "Accounting -Reporting" Ltd publishes a monthly scientific-practical Journal "Accounting"

Economic activities of the GFPAA are mainly related to training, re-training, professional certification and continuous education of accountants and auditors.

GFPAA operates through its head office (61 Tsereteli Avenue, Tbilisi) and the following regional and district branches:

- Ajara Autonomous Republic Branch;
- Imereti Regional Branch;
- Samegrelo-Zemo Svaneti Regional Branch;
- Kakheti Regional Branch;
- Rustavi District Branch
- Poti District Branch;
- Gori District Branch.

**2. Basis for preparation of financial statements and accounting policy**

***A. Declaration of relevance***

This Consolidated Financial Statement is prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities issued by the International Accounting Standards Board.

The financial statements are the statements of a single entity for the reporting period beginning on January 1, 2021 and ending on December 31, 2021. Amounts in financial statements are rounded to the unit.

The significant accounting policy used in preparation of the financial statements are set out below. This policy is consistently applied to all information presented in the financial statements, unless otherwise stated.

***B. Measurement Basis***

The financial statements have been prepared using the historical cost method. Management believes that access to a going concern is appropriate for the company.

***C. Going Concern basis***

Management has prepared these financial statements on a going concern basis. Making this decision, management took into account the financial condition of the company, positive operating cash flows, current plans, profitability of operations and access to local or international financial resources.

**On behalf of the management:**

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**Lavrenti Chumburidze**  
**Executive Director**

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**Qetevan abesalashvili**  
**Chief Accountant**

July 29, 2022  
Tbilisi, Georgia

**Georgian Federation of Professional Accountants and Auditors (GFPAA),  
Disclosure of Notes to Consolidated Financial Statements  
for the Year Ended on December 31, 2021**

*(in GEL)*

Management believes that the relevant financial reserve, guarantee of GFPAA financial stability, also net asset value and high level of liquidity, don't endanger the company 's functionality for at least 12 months.

**2.1 Basis for Consolidation**

The Consolidated Financial Statements includes Financial Statements of GFPAA and its subsidiaries: Institute of Professional Accountants Ltd and Journal "Accounting- Reporting" Ltd. It is prepared on the basis of going concern principle and accrual accounting. All intragroup transactions, balances, income and expenses are eliminated in the financial statements.

Information on the subsidiary of GFPAA

##	Name	Main Activity	Place of Registration and Operations	Owned share/voting shares (%)	
				31/12/2021	31/12/2020
1	Institute of Professional Accountants Ltd	Training, re-training of accountants	Georgia	51	51
2	Journal "Accounting- Reporting Ltd	Publishing of a periodical scientific-practical Journal	Georgia	100	20

**2.2 Methods used in Preparation of the Consolidated Financial Statements and Assessments**

**Consolidation Principles**

The consolidated financial statement reflects financial information of the GFPAA group as a whole economic entity. In preparing the Consolidated Financial Statements:

- (a) Financial Statements of GFPAA and its subsidiary are unified item by item, by summing up similar assets, liabilities, and equity, income and expense items;
- (b) Balance of the investment by GFPAA in the subsidiary is eliminated as well as share of GFPAA in equity of its subsidiary;
- (c) Non-controlling share is assessed and reflected in the reporting period income or loss of the consolidated subsidiary, separately from GFPAA's share;
- (d) Non-controlling share in net assets of the consolidated subsidiary is assessed and reflected separately from GFPAA's share

**On behalf of the management:**

**Lavrenti Chumburidze  
Executive Director**

**Qetevan abesalashvili  
Chief Accountant**

July 29,2022  
Tbilisi , Georgia

**Georgian Federation of Professional Accountants and Auditors (GFPAA),  
Disclosure of Notes to Consolidated Financial Statements  
for the Year Ended on December 31, 2021  
(in GEL)**

**3. Accounting Policy**

*Income Recognition*

Income is recognized by fair value of received or receivable income. It excludes sales discounts as well as discounts for early settlement and batch volume. Income includes only total amount received or receivable under its name.

service fees are recognised based on completion stage of the applicable service contracts, at the end of the reporting period, if it is possible to reliably estimate results of the services rendered. Otherwise income is recognized only in the amount of already recognized expenses.

Income from sale of goods is recognized when the following conditions are met:

- (a) the entity transfers to the buyer substantially all risks and rewards of ownership the goods;
- (b) the entity does not retain continuous managerial involvement to the level, which is associated with ownership and does not exercise effective control on the goods sold;
- (c) Income can be estimated reliably;
- (d) It is expected that the entity will receive economic benefit from the operation; and
- (e) Reliable estimation of already incurred and future costs related to the operation is possible;

**3.2 Financial Instruments**

*Trade Receivables*

Receivables arising from short term credit sales of services to clients is recognized by undiscounted amount of receivable cash with consideration of impairment (the amount is uncollectable).

Receivables from the sale of goods / services on interest-free credit to the customer on different terms from the usual business conditions is recognized at the current selling price of these goods in cash and is valued at amortized cost at the end of the reporting period by the effective interest method, with consideration of impairment (possibility of the amount becoming uncollectable).

*Trade Payables*

Receivables arising from short term credit purchase of goods and services from suppliers is recognized by undiscounted amount of payables to the supplier.

Any change in liabilities arising from supply and services denominated in a foreign currency that results from the change in exchange rate is recognized in profit or loss.

*Impairment Loss of Financial Assets*

**On behalf of the management:**

**Lavrenti Chumburidze**  
Executive Director

**Qetevan abesalashvili**  
Chief Accountant

July 29, 2022  
Tbilisi, Georgia

**Georgian Federation of Professional Accountants and Auditors (GFPA),  
Disclosure of Notes to Consolidated Financial Statements  
for the Year Ended on December 31, 2021**

*(in GEL)*

Impairment loss of financial assets measured at amortized cost is difference between the asset's carrying value and present value of estimated cash flows discounted by initial effective interest rate of the asset. When a financial asset has variable interest rate discount rate used for measurement of impairment loss is current effective interest rate set by the agreement.

Impairment loss of financial assets measured at cost reduced by the amount of impairment loss is difference between the asset's carrying value and best estimate (which will be an approximate amount) of the amount that the entity would receive during the reporting period if the asset were sold.

*Property, Plant and Equipment*

Property, plant and equipment (PPE) is reflected in the balance at purchase cost, reduced by accumulated depreciation and impairment loss. Depreciation is calculated using straight-line depreciation method. Useful life of the property, plant and equipment is defined individually and varies from 2 to 10 years. Depreciation rate by the PPE groups are as follows:

<b>Category</b>	<b>Depreciation Rate, %</b>
Buildings	2-5%
Office equipment	20-30%
Furniture and fixtures	25-50%
Vehicles	10-15%

If there is any indication that the depreciation rate, the useful life of the asset, or the residual value has changed significantly to reflect new expectations, the depreciation of a given asset will be adjusted prospectively.

Income or loss from derecognition of property, plant and equipment (the difference between the net income and the carrying amount of property, plant and equipment) is recognized in profit or loss for the period and is classified as other income or other expense.

*Intangible Assets*

Intangible assets are measured at cost, reduced by accumulated amortization and accumulated impairment loss.

Amortization is charged on straight line bases for allocation of amortized value on a systemic bases. 15% rate is used to charge annual amortization.

Asset's carrying value, amortization method or useful life is adjusted prospectively in case of indications of changes in carrying value or useful life of intangible assets.

**On behalf of the management:**

**Lavrenti Chumburidze**  
**Executive Director**

**Qetevan abesalashvili**  
**Chief Accountant**

July 29,2022  
Tbilisi , Georgia

**Georgian Federation of Professional Accountants and Auditors (GFPAA),**  
**Disclosure of Notes to Consolidated Financial Statements**  
**for the Year Ended on December 31, 2021**  
*(in GEL)*  
*Goodwill*

Goodwill acquired at the business combination is measured at cost, reduced by accumulated amortization and accumulated impairment loss. To allocate the value of goodwill on a systematic basis, amortization is accrued over the useful life period using the straight-line method, over the estimated useful life of 10 years.

*Inventory*

Inventory is measured at the lower of cost and estimated net realization value reduced by completion and selling costs.

Reduction of inventory value represents impairment loss and it is immediately recognized in profit or loss. If the realization value of inventory, reduced by completion and selling costs, is increased during measurement at the next reporting date, then impairment loss is reinstated so that new carrying value is lower of cost and adjusted selling price reduced by completion and selling costs.

When inventory is sold, its carrying amount is recognized as an expense in the period in which the relevant revenue is received.

FIFO formula is used to determine the cost of inventory spent.

*Lease*

A lease is classified as financial lease if essentially all risks and economic benefits associated with ownership of assets is transferred to the entity. All other leases are classified as ordinary (operational) leases.

Rights to financially leased assets are recognized as the assets of the entity at an amount equal to the fair value of the leased property. (Or, if less than, the discounted value of the minimum lease payments) Which is determined at the beginning of the lease. The corresponding liability to the lessor is reflected in the statement of financial position as a financial lease liability. Lease payments are apportioned between the financial expenses accrued and the reduction in the lease liability so that a fixed interest rate is incurred on the outstanding balance of the liability. Accrued financial expenses are deducted from profit or loss. Finance lease assets are included in property, plant and equipment, they are depreciated and their impairment losses are assessed in the same way as for assets owned by the entity.

Lease payments payable under ordinary leases are reflected in profit or loss on a straight-line method during the relevant lease term.

*Provisions*

Provisions are recognized by the best estimate of the amount that would be required (The amount that the entity would have spent, as reasonable possible at the end of the reporting period) to cover this liability for the reporting date.

*Impairment of Assets*

**On behalf of the management:**

**Lavrenti Chumburidze**  
**Executive Director**

**Qetevan abesalashvili**  
**Chief Accountant**

July 29, 2022  
Tbilisi, Georgia

**Georgian Federation of Professional Accountants and Auditors (GFPAA),  
Disclosure of Notes to Consolidated Financial Statements  
for the Year Ended on December 31, 2021**

*(in GEL)*

Property, plant and equipment and intangible assets, are reviewed at each reporting date in order to identify whether there are indications of impairment of the assets. Recoverable amount of any asset (or groups of related assets) is estimated if impairment indications exist and then it is compared to its carrying value. If recoverable amount is less than carrying value is reduced to recoverable value and impairment loss is immediately recognized in profit or loss.

If impairment loss is recovered/compensated afterwards then carrying value of asset (or group of similar assets) is increased to adjusted recoverable amount (to adjusted selling price, reduced by completion and selling costs in case of inventory) of the asset but not to the amount, which is higher than the amount that would be defined if impairment loss of the asset (or group of similar assets) were not recognized during previous years. Recovered impairment loss is immediately recognized in profit or loss.

*Employee Short Term Benefits*

All types of expenditures related to employees short term benefits that employees are entitled to receive for rendering services during the reporting period is recognized as liability and expense (excluding the expenditures, which is recognized in the cost of inventory, property, plant and equipment or other assets).

Amounts recognized as employees short term benefits during the reporting period are measured by undiscounted amount of the short term benefits that are payable to employees for rendering the above mentioned services.

The expected value of accumulating compensated absences are assessed as the undiscounted additional amount that the entity expects to pay for the unused entitlement accumulated at the end of the reporting period.

*Foreign Currency Operations*

Foreign currency operations are accounted in functional currency at initial recognition. Amount denominated in foreign currency is translated into functional currency using spot exchange rate at the date of the operation.

Cash items denominated in foreign currency are measured using closing exchange rate at the end of the reporting period.

Exchange differences arising from settlement of cash items or from their translation using the exchange rate that is different from the exchange rate used for translation of the items at initial recognition during the period or previous periods is recognized in the reporting period when it arises.

*Income Tax*

The current tax liability (asset) is estimated at the amount that is expected to be paid (reimbursed) in accordance with the taxation principles set out in the Tax Code of Georgia (TCG) and valid by the reporting date.

According to the Tax Code of Georgia, the object of taxation of income tax for the entity is: distributed profit; incurred expense or other payment that is not related to the economic activity; supply of goods/rendering of services free of charge and/or transfer of cash; representation costs above the limits set by the Tax Code.

For the entity that is subject to income tax, along with tax on distributed profit, is taxed as soon as tax object arises and tax liability is recognized at the end of each reporting month. Current tax liability in relation to dividends to be distributed to

**On behalf of the management:**

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**Lavrenti Chumburidze**  
**Executive Director**

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**Qetevan abesalashvili**  
**Chief Accountant**

July 29, 2022  
Tbilisi, Georgia

**Georgian Federation of Professional Accountants and Auditors (GFPAA),  
Disclosure of Notes to Consolidated Financial Statements  
for the Year Ended on December 31, 2021  
(in GEL)**

its partners is measured by using income tax rate on the amount of dividends that is to be distributed until the entity recognizes obligation to pay the dividends.

#### **4. General assumptions and main sources used to assess uncertainty**

##### *The useful life of fixed assets*

The entity observes factors such as changes in the way the asset is used, significant unforeseen wear and tear, technological advances and changes in market prices that may indicate that the residual value of an asset or its useful life has changed since the last reporting date. If there are any similar signs, the entity will review the previous estimates and if the current estimates differ significantly from previous estimates, change the residual value of the asset, depreciation method or useful life. An entity describes a change in the residual value, depreciation method or useful life of an asset as a change in accounting estimate.

In applying the Company's accounting policy (Note 4), management is required to apply discussion, estimation and assumption to assets and liabilities which value cannot be clearly derived from other sources. Estimations and related assumptions are based on past experience and other relevant factors.

Actual results may differ from current estimates. Evaluations are reviewed periodically. Adjustments resulted from changes in accounting estimates are attributed to the financial results of the period in which those changes are recorded.

The main sources of estimation uncertainty are-

##### **Useful life**

Determining the useful life of property, plant and equipment is a matter of reasoning for management, based on their experience with similar assets. In determining the useful life of an asset, management considers expected consumption, technical obsolescence assessment, physical depreciation, and the physical environment in which the asset is used. A change in these circumstances or estimates may result in a correction in future depreciation rates.

##### **Receivables impairment reserve**

The Company creates a reserve for the impairment of doubtful receivables to record the estimated losses incurred as a result of customers' inability to make payments. In assessing the adequacy of doubtful debt reserves, management uses the general economic situation, the maturity of accounts receivable, past write-off experience, customer creditworthiness and changes in payment terms as the basis for its assessment.

#### **5. Revenue**

	December 31, 2021	December 31, 2020
Rendering services	681,927	847,303
Selling of goods	123,057	182,237
Other operating income	105,460	105,368

**On behalf of the management:**

**Lavrenti Chumburidze**  
Executive Director

**Qetevan abesalashvili**  
Chief Accountant

July 29, 2022  
Tbilisi, Georgia



**Georgian Federation of Professional Accountants and Auditors (GFPAA),  
Disclosure of Notes to Consolidated Financial Statements  
for the Year Ended on December 31, 2021  
(in GEL)**

<b>Total revenue</b>	<b>910,444</b>	<b>1,134,908</b>
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Realization includes revenue from sale of goods as well as own produce. Teaching process revenue includes all revenues generated from all types of educational programs and examinations of GFPAA and LTD Institute of Professional Accountants.

**6. Other Incomes**

	December 31,2021	December 31,2020
Membership fee of physical entities	130,704	141,188
Membership fee of corporate members	89,000	89,000
Interest Income	55,785	60,356
Other income	17,273	31,607
Membership initiation fee	2,310	2,440
Non-operating income (tax relief)	1,389	-
exchange difference	1,795	-
Books purchased for free	-	23,804
<b>Total</b>	<b>298,256</b>	<b>348,395</b>

**7. Other Expenses**

	December 31,2021	December 31,2020
Purchased service	305,047	318,274
Written off membership fees	26,999	65,664
Membership fee paid	16,506	15,278
Tax expense	7,076	13,319
Written off carrying amount of PPE	4,262	4,891

**On behalf of the management:**

**Lavrenti Chumburidze**  
**Executive Director**

**Qetevan abesalashvili**  
**Chief Accountant**

July 29,2022  
Tbilisi , Georgia

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Other Expenses	2,327	1291
Bad debts	2,000	2,350
Charity and support	1,930	2,498
Representational expenses	1,828	1,736
<b>Total</b>	<b>367,975</b>	<b>425,301</b>

**On behalf of the management:**

**Lavrenti Chumburidze**  
Executive Director

**Qetevan abesalashvili**  
Chief Accountant

July 29, 2022  
Tbilisi, Georgia

The notes on pages 10-25 form an integral part of these financial statements.

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8. Property ,plant, equipment

Name	Balance at 31.12.2021	Additions	Disposals	Balance at 31.12.2020
<b>cost</b>				
Buildings	662,887	-	-	662,887
Office equipment	178,685	2,035	(8,178)	184,828
Furniture and fixtures	133,544	298	(6,822)	140,068
Vehicles	105,775	-	-	105,775
Library	1,329	-	-	1,329
<b>Total</b>	<b>1,082,219</b>	<b>2,332</b>	<b>(15,000)</b>	<b>1,094,887</b>
<b>Depreciation</b>				
	<b>Balance at 31.12.2021</b>	<b>Accrual</b>	<b>Write-down</b>	<b>Balance at 31.12.2020</b>
Buildings	107,361	8,244		99,117
Office equipment	139,801	11,089	(7,296)	136,008
Furniture and fixtures	111,780	3,893	(2,430)	110,317
Vehicles	39,375	10,500	-	28,875
Library	517	63		454
<b>Total</b>	<b>398,834</b>	<b>33,789</b>	<b>(9,726)</b>	<b>374,771</b>
<b>Carrying Amount</b>	<b>683,385</b>	<b>(31,457)</b>	<b>(5,274)</b>	<b>720,116</b>

On behalf of the management:

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Executive Director

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Initial cost of property, plant and equipment is cash or cash equivalents paid (or to be paid):

- Purchase price, including legal and broker service cost, import duties and irrevocable purchase payments, excluding trade discounts and rebates;
- Any expenditure that is directly related to delivery of the asset to its location and condition;
- Initial estimates of costs related to dismantle of asset, liquidation and restoration that the entity committed at the moment of purchase or afterwards.

As the proceeds from the sale are expected to exceed the carrying amount of the asset and its related liabilities, no impairment losses were recognized.

## 9. Intangible Assets

Name	Balance at 31.12.21	Additions	Disposals	Balance at 31.12.2020
<b>Cost</b>				
License of Strados Studio	5,467	-	-	5,467
Accounting software 'Oris'	5,200	-	-	5,200
Software ICS (management system)	4,450	-	-	4,450
<b>Total</b>	<b>15117</b>	<b>-</b>	<b>-</b>	<b>15117</b>
<b>Amortization</b>				
	Balance at 31.12.2021	Accrual	Write down	Balance at 31.12.2020
Software ICS (management system)	3,893	207	-	3,686
License of Strados Studio	3,558	483	-	3,075
Accounting software 'Oris'	3,151	333	-	2,818
<b>Total</b>	<b>10,602</b>	<b>1,023</b>	<b>-</b>	<b>9,579</b>
<b>Carrying Amount</b>	<b>4,515</b>	<b>(1,023)</b>	<b>-</b>	<b>5,538</b>

Amortization of intangible assets is charged using straight-line method, assets are carried at cost reduced by accumulated amortization

## 10. Inventory

	December 31,2021	December 31,2020
Finished goods, books	99,477	149,939
Other inventory	649	8,513

**On behalf of the management:**

**Lavrenti Chumburidze**  
**Executive Director**

**Qetevan abesalashvili**  
**Chief Accountant**

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Goods, audit standards	5,540	863
<b>Total</b>	<b>105,666</b>	<b>159,315</b>

Books received as contribution and accounting software “Oris” make up the goods balance. Products balance includes – International Financial Reporting Standards, Quality Assurance and Audit Standards and ACCA textbooks, and other inventory consists of stationery and fuel balances of GFPAA and LTD Institute of Professional Accountants.

**11. Trade and other Receivables**

	December 31,2021	December 31,2020
Receivables from members	261,172	233,319
Receivables from supply and services	45,895	54,353
Amount of impairment loss	(32,520)	(47,354)
<b>The carrying amount of trade receivables</b>	<b>274,547</b>	<b>240,318</b>
Incl. Receivables from related parties	1000	2,000
Receivables from other parties	273,547	238,318
Prepaid taxes	21,083	15,705
Personnel receivables	150	308
Prepayments	25766	30,067
<b>Total</b>	<b>321,546</b>	<b>286,398</b>

**12. Cash and cash equivalents**

	December 31,2021	December 31,2020
Cash at hand	709	3,097
Cash at current accounts in banks	301,397	33,516
Short term bank deposits	413,800	720,763
<b>On behalf of the management:</b>		
<b>Lavrenti Chumburidze</b> Executive Director	<b>Qetevan abesalashvili</b> Chief Accountant	

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<b>Total</b>	<b>715,906</b>	<b>757,376</b>
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### 13. GFPAA Development Fund

GFPAA Development Fund was formed on the basis of the profits received from past years economic activities which includes:

Investment in subsidiary companies - 312,400 GEL

Purchased long-term assets 280,500 GEL

Inventory/Literature 153,700 GEL

Membership fee accrued to GFPAA members and not recovered 185,965 GEL

Actual reserve / free amount on deposit / 420,000 GEL.

### 14. Trade and other payables

	December 31,2021	December 31,2020
trade payables	12,123	20,764
i.e payables to related parties	5,900	5,900
Payable to other suppliers	6,223	14,864
Pre-received amounts	171,728	121,883
Other	9,049	5,173
Outstanding salaries	4,400	62,773
<b>Total</b>	<b>197,300</b>	<b>210,593</b>

*Trade payables include Ordinary lease liability*

*The entity has rented office space under ordinary lease with 5-year remaining lease term. Lease payments are made in fixed amounts. Lease payments recognized as expenses are as follows:*

	2021	2020
Lease	89760	89760

At the end of the year the entity has the following future minimal lease payment liabilities related to irrevocable ordinary lease agreements:

Not later than one year	74755	74755
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**On behalf of the management:**

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 Executive Director

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 Chief Accountant

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After one year but no later than five years	373775	373775
After five years		
Total	488530	488530

**15. Tax Liabilities**

	December 31,2021	December 31,2020
VAT payable	8,421	613
Payable Income tax	1,968	14,361
Payable social fee	67	1,676
Payable Property tax	58	-
<b>Total</b>	<b>10,514</b>	<b>16,650</b>

**16. business Combinations - Goodwill**

Acquisition of Journal "Accounting - Reporting" Ltd

On January 29, 2020, the company acquired a 100% share in Journal "Accounting-Reporting" Ltd. The Journal "Accounting - Reporting" was founded on September 18, 1997, the main activity of which is to publish the monthly Journal "Accounting", to place advertisements in the Journal. The contingent fair values of the Journal 's aggregate identifiable assets and liabilities at the acquisition date were:

	Recognized fair value at acquisition
<b>Current Assets</b>	
Inventory	15,605
Trade and Other Receivables	763
Cash and Cash Equivalents	1,679
Other Current Assets	-
<b>Total Current Assets</b>	<b>18,046</b>
<b>Total Assets</b>	<b>18,046</b>
<b>Current Liabilities</b>	
Trade and Other Payables	17,506
Current loan payables	-
Tax Liabilities	139
<b>Total Current Liabilities</b>	<b>17,645</b>
<b>Total Liabilities</b>	<b>17,645</b>
<b>Real value of acquired net assets</b>	<b>401</b>

On behalf of the management:

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Qetevan abesalashvili  
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<b>Net assets in real value for the date in 100%</b>	<b>321</b>
Given Compensation	6,000
<b>Goodwill</b>	<b>5,679</b>

With this acquisition, the company is expanding its business as it sees new opportunities and value creation prospects in this sector of the Georgian economy. The Group believes that this sector has the opportunity to increase operating cash flows. From Management's point of view this acquisition will have a positive impact on the value of the Group.

The main factor that contributed to the cost of business combination, the result from Goodwill was recognized at the time of acquisition is the synergy reflected in the Group operations.

The fee was GEL 6,000 in cash, which was paid in full at the reporting date. After the acquisition, there was no changes in the ownership structure.

**Goodwill at the beginning and end of the reporting period:**

	December 31,2021	December 31,2020
Acquired as a result of the business combination	5,679	5,679
amortization	(568)	-
impairment loss	-	-
Sale of Subsidiary	-	-
Exchange differences	-	-
<b>Total</b>	<b>5,111</b>	<b>5,679</b>

**17. Related party operations**

Related parties or related party transactions are :

- (A) the parties, which are directly or indirectly by one or more intermediaries, control, are controlled, or are under joint control with the Company(Including founder company and branches), hold shares in the company, which is the cause of significant influence and have joint control over the company;
- (B) key management of the company or of a parent of the company
- (C) the family members of listed in (a) or (b);
- (D) Parties that are entities, controlled or jointly controlled by the persons listed in (c) or (b); or these persons have significant influence, or the right to vote in these entities is directly or indirectly in the hands of these persons.

The entity considers the related parties:

Subsidiaries - Journal "Accounting - Reporting" Ltd and Institute of Professional Accountants Ltd

Ultimate controlling party- GFPAA

**On behalf of the management:**

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Entities significant influenced by the persons - Consaudi Ltd and Accountants Training Center Ltd

	December 31,2021	December 31,2020
<b>Operations with significantly influenced entities</b>		
Office lease	10170	10170
<b>Amount of unpaid balances:</b>		
Trade Receivables	1000	2000
<b>Total Receivables</b>	<b>1000</b>	<b>2000</b>

	December 31,2021	December 31,2020
<b>Operations with significantly influenced entities</b>		
Leasing of training auditoriums	14830	14830
Office lease	60000	60000
<b>Amount of unpaid balances:</b>		
Trade Payables	5900	5900
<b>Total Liabilities</b>	<b>5900</b>	<b>5900</b>

The total amount of benefits (compensation) of key management	167 200	140 200
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**Income received in GFPAA as dividends  
from subsidiary amounted to**

Dividend received by GFPAA as an income  
from the subsidiary amounted to

-	35700
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**18. Events after the reporting period**

No event that requires disclosures took place after the reporting period.

**19. Approval of Financial Statements**

The audited consolidated financial statements is signed to issue on July 29, 2022.

**On behalf of the management:**

**Lavrenti Chumburidze**  
Executive Director

**Qetevan abesalashvili**  
Chief Accountant

July 27,2021  
Tbilisi , Georgia