Microfinance Organization
Continental City Credit LLC

Financial Statements

for the year ended 31 December 2013

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Independent Auditors' Report

To the Supervisory Board
Microfinance Organization Continental City Credit LLC

We have audited the accompanying financial statements of Microfinance Organization Continental City Credit LLC (the "Company"), which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Georgia LLC, a Company incorporated under the Laws of Georgia,
a subsidiary of KPMG Europe LLP, and a member firm of the KPMG
network of independent member firms affiliated with KPMG
International Cooperative ("KPMG International"), a Swiss entity.

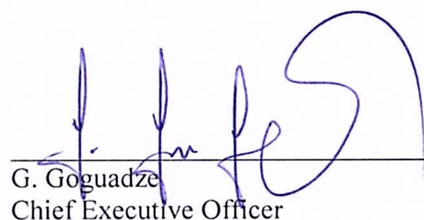
Other Matter

The financial statements of the Company as at 31 December 2012 and for the period from 6 March 2012 (date of incorporation) to 31 December 2012 were audited by other auditors whose report dated 8 May 2013 expressed an unmodified opinion on those statements.

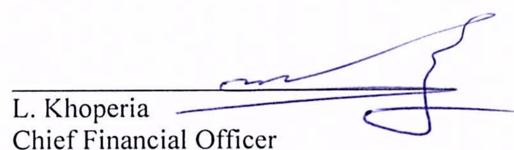
KPMG Georgia LLC
4 April 2014

	Notes	2013 GEL'000	6 March 2012 (date of incorporation) to 31 December 2012 GEL'000
Interest income	4	1,936	751
Interest expense	4	(248)	(11)
Net interest income		**1,688**	**740**
Fee and commission income	5	588	71
Fee and commission expense		(12)	(6)
Net fee and commission income		**576**	**65**
Net foreign exchange income		204	37
Other operating income		37	4
Operating income		**2,505**	**846**
Impairment losses	10	(117)	-
Personnel expenses	6	(1,042)	(551)
Other general administrative expenses	7	(530)	(522)
Profit (loss) before income tax		**816**	**(227)**
Income tax (expense) benefit	8	(118)	34
Profit (loss) and other comprehensive income for the year/period		**698**	**(193)**

The financial statements as set out on pages 5 to 37 were approved by management on 4 April 2014 and were signed on its behalf by:



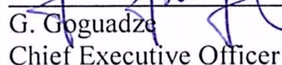
G. Goguadze
Chief Executive Officer



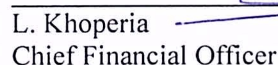
L. Khoperia
Chief Financial Officer

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Notes	2013 GEL'000	2012 GEL'000
ASSETS			
Cash and cash equivalents	9	741	265
Loans to customers:	10		
- Principal		7,646	4,204
- Interest		206	61
Property and equipment	11	320	350
Intangible assets	12	60	78
Deferred tax assets	8	6	34
Other assets	13	509	24
Total assets		**9,488**	**5,016**
LIABILITIES			
Loans and borrowings:	14		
- Principal		4,019	332
- Interest		4	1
Current tax liability		90	-
Other liabilities	15	70	76
Total liabilities		**4,183**	**409**
EQUITY			
Charter capital	16	5,000	5,000
Unpaid charter capital		(200)	(200)
Retained earnings/(accumulated losses)		505	(193)
Total equity		**5,305**	**4,607**
Total liabilities and equity		**9,488**	**5,016**



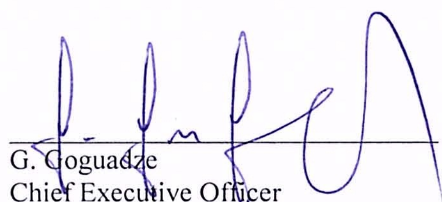
G. Goguadze
Chief Executive Officer



L. Khoperia
Chief Financial Officer

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Notes	2013 GEL'000	6 March 2012 (date of incorporation) to 31 December 2012 GEL'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		1,904	762
Interest payments		(242)	(9)
Fee and commission receipts		643	53
Fee and commission payments		(10)	(6)
Other income receipts/(expense payments)		36	(4)
Personnel expenses payments		(1,031)	(551)
Other general administrative expenses payments		(420)	(374)
(Increase) in operating assets			
Loans to customers		(3,587)	(4,265)
Other assets		(473)	(25)
(Decrease) increase in operating liabilities			
Other liabilities		(6)	76
Net cash used in operating activities before income tax paid		**(3,186)**	**(4,343)**
Cash flows used in operations		**(3,186)**	**(4,343)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(57)	(431)
Purchases of intangible assets		-	(89)
Cash flows used in investing activities		**(57)**	**(520)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from loans and borrowings		4,373	597
Repayment of loans and borrowings		(686)	(266)
Increase of charter capital		-	4,800
Cash flows from financing activities		**3,687**	**5,131**
Net increase in cash and cash equivalents		**444**	**268**
Effect of changes in exchange rates on cash and cash equivalents		32	(3)
Cash and cash equivalents as at the beginning of the year/period		265	-
Cash and cash equivalents as at the end of the year/period	9	**741**	**265**



G. Coguadze
Chief Executive Officer

L. Khoperia
Chief Financial Officer

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

GEL'000	Charter capital	Unpaid charter capital	Retained earnings	Total
Balance as at 6 March 2012 (date of incorporation)	**-**	**-**	**-**	**-**
Loss and other comprehensive loss for the period	**-**	**-**	(193)	(193)
Transactions with owners, recorded directly in equity				
Charter capital increase	5,000	-	-	5,000
Unpaid charter capital	-	(200)	-	(200)
Balance as at 31 December 2012	**5,000**	**(200)**	**(193)**	**4,607**
Balance as at 1 January 2013	5,000	(200)	(193)	4,607
Profit and other comprehensive income for the year	-	-	698	698
Balance as at 31 December 2013	**5,000**	**(200)**	**505**	**5,305**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

(a) Organization and operations

Microfinance Organization Continental City Credit LLC ("the Company") was established on 6 March 2012 according to the Georgian Law on Microfinance Organizations dated 18 July 2006.

The legal address of the Company is 23-23a Chavchavadze Street, Tbilisi, Georgia.

The supreme governing body of the Company is the General Meeting of Shareholders. The supervision of the Company's operations is conducted by the Supervisory Board, members of which are appointed by the General Meeting of Shareholders. Daily management of the Company is carried out by the Directors appointed by the Supervisory Board.

The main activity of the Company is small and medium lending in Tbilisi.

As of 31 December 2013, the Company is owned by two individuals: Michael Bashirov (50%) and David Uzarashvili (50%).

As of 31 December 2012, the Company was owned by Sergi Nakaidze (50%), Marli Capital Georgia LLC (30%) and David Uzarashvili (20%).

The majority of funding of the Company is from, and credit exposures are to, these shareholders. As a result the Company is economically dependent upon the shareholders and the activities of the Company are closely linked with the requirements of the shareholders.

The shareholders have the power to direct the transactions of the Company at their own discretion and for their own benefit. They also have a number of other business interests outside the Company.

Related party transactions are disclosed in note 20.

(b) Georgian business environment

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

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The functional currency of the Company is the Georgian Lari (GEL) as, being the national currency of Georgia, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The GEL is also the presentation currency for the purposes of these financial statements.

Financial information presented in GEL is rounded to the nearest thousand, except when otherwise indicated.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could 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 significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 10 - loan impairment estimates.

(e) Changes in accounting policies and presentation

The Company has adopted new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

(i) IFRS 13 Fair value measurements

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as 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. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures.*

As a result, the Company adopted a new definition of fair value, as set out in note 3(c)(v). The change had no significant impact on the measurements of assets and liabilities. However, the Company included new disclosures in the financial statements that are required under IFRS 13, comparatives not restated.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated 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 items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and unrestricted current accounts held with banks with original maturities of less than three months. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Financial instruments

(i) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

The Company classifies non-derivative financial assets into loans and receivables category, which consists of loans to customers and cash and cash equivalents.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Other financial liabilities comprise loans and borrowings and other payables.

(ii) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables which are measured at amortized cost using the effective interest method.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

(iv) Amortised cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(vi) Gains and losses on subsequent measurement

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vii) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company writes off assets deemed to be uncollectible.

(viii) Offsetting

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

(d) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

- computers	4 years
- vehicles	5 years
- furniture and office equipment	3 to 6 years
- leasehold improvements	3 to 5 years
- other	2 to 6 years

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iii) Subsequent expenditure

The cost of replacing a component 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 component will flow to the entity, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(e) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 5 to 10 years.

(f) Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the Company in settlement of overdue loans. The Company recognises repossessed assets in the statement of financial position when it has the full and final settlement rights to the collateral.

At initial recognition repossessed assets are measured at the lower of the carrying amount and the fair value less costs to sell and are included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Company's intention with respect to recovery of these assets. They are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

The carrying amount of the repossessed assets is measured based on the value of the defaulted loan, including expenditure incurred in the process of collateral foreclosure. Fair value less costs to sell is the estimated selling price of the collateral in the ordinary course of business, less the related selling costs.

(g) Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Company determines the amount of any impairment loss.

A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

(i) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables. The Company reviews its loans and receivables to assess impairment on a regular basis.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a Company of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Company uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Company writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed 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.

(h) Equity

(i) Charter capital

Charter capital is classified as equity.

(ii) Dividends

The ability of the Company to declare and pay dividends is subject to the rules and regulations of the Georgian legislation.

Dividends in relation to charter capital are reflected as an appropriation of retained earnings in the period when they are declared.

(i) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

(j) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(k) Comparative information

Comparative information is re-presented to conform to changes in presentation in the current year. In particular, in statement of changes in equity as at 31 December 2012 the Company's authorised charter capital was previously reported as GEL 4,800 thousand, instead of GEL 5,000 thousand. The balance of GEL 200 thousand is an unpaid portion of the authorised charter capital for which the Company had no contractual right to receive as at 31 December 2012 and 2013.

Management believes that the current presentation provides information that is reliable and more relevant, and more useful to the users of these financial statements.

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Company plans to adopt these pronouncements when they become effective.

- IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates general hedge accounting. The final standard is expected to be issued in 2014 and will be effective for years beginning on or after 1 January 2018. The Company recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Company does not intend to adopt this standard early.

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsettin*g criteria to address* inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning o*n* or after 1 January 2014, and are to be applied retrospectively. The Company has not yet analysed the likely impact of the new standard on its financial position or performance.

- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014. The Company has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2013 GEL'000	6 March 2012 (date of incorporation) to 31 December 2012 GEL'000
Interest income		
Loans to customers	1,909	735
Cash and cash equivalents	27	16
	1,936	**751**
Interest expense		
Loans and borrowings	(248)	(11)
	1,688	**740**

Included within interest income for the year ended 31 December 2013 is a total of GEL 529 thousand (2012: GEL 36 thousand) accrued on financial assets with signs of impairment during the year (period).

5 Fee and commission income

	2013 GEL'000	6 March 2012 (date of incorporation) to 31 December 2012 GEL'000
Settlement and early repayment fees	547	69
Other	41	2
	588	**71**

6 Personnel expenses

	2013 GEL'000	6 March 2012 (date of incorporation) to 31 December 2012 GEL'000
Employee compensation	834	441
Payroll related taxes	208	110
	1,042	**551**

7 Other general administrative expenses

	2013 GEL'000	6 March 2012 (date of incorporation) to 31 December 2012 GEL'000
Rent	254	145
Depreciation and amortization	105	47
Legal and other professional services	60	46
Utilities and communication	38	75
Repairs and maintenance	16	5
Marketing and advertising	5	100
Security expenses	5	5
Taxes other than on income	3	2
Consumables and office supplies	2	84
Stationery expenses	2	6
Other	40	7
	530	**522**

8 Taxation

	2013 GEL'000	6 March 2012 (date of incorporation) to 31 December 2012 GEL'000
Current year tax expense	90	-
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	28	(34)
Total income tax expense (benefit)	**118**	**(34)**

In 2013, the applicable tax rate for current and deferred tax is 15% (2012: 15%).

Reconciliation of effective tax rate for the year ended 31 December:

	2013 GEL'000	%	6 March 2012 (date of incorporation) to 31 December 2012 GEL'000	%
Profit (loss) before tax	816		(227)	
Income tax at the applicable tax rate	122	15.0	(34)	15.0
Non-taxable income	(4)	(0.5)	-	-
	118	**14.5**	**(34)**	**15.0**

(a) Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2013 and 2012.

These deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2013 and 2012 are presented as follows:

GEL'000	Balance 1 January 2013	Recognised in profit or loss	Balance 31 December 2013
Loans to customers	-	23	23
Property and equipment	(25)	2	(23)
Other assets	3	-	3
Other liabilities	-	3	3
Tax loss carry-forward	56	(56)	-
	34	**(28)**	**6**

GEL'000	Balance 6 March 2012 (date of incorporation)	Recognised in profit or loss	Balance 31 December 2012
Property and equipment	-	(25)	(25)
Other assets	-	3	3
Tax loss carry-forward	-	56	56
	-	**34**	**34**

9 Cash and cash equivalents

	2013 GEL'000	2012 GEL'000
Cash on hand	8	46
Bank balances	733	219
Total cash and cash equivalents	**741**	**265**

No cash and cash equivalents are impaired or past due. The majority of the Company's cash in banks is with banks rated by Fitch as B (short-term rating), BB- (long-term rating), BB (long-term rating) and B (long-term rating).

As at 31 December 2013 the Company has no bank (2012: nil), whose balances exceed 10% of equity.

10 Loans to customers

	2013 GEL'000	2012 GEL'000
Principal	7,646	4,204
Interest	206	61
Total loans to customers	**7,852**	**4,265**

	2013 GEL'000	2012 GEL'000
Loans to retail customers		
Mortgage loans	7,708	4,129
Auto loans	246	113
Pawn shop	15	23
Total loans to retail customers	**7,969**	**4,265**
Gross loans to customers		
Impairment allowance	(117)	-
Net loans to customers	**7,852**	**4,265**

Movements in the loan impairment allowance during 2013 are as follows (2012: no movement):

	2013 GEL'000
Balance at the beginning of the year	-
Net charge	(117)
Balance at the end of the year	**(117)**

The following table provides information by types of loans as at 31 December 2013:

	Gross amount GEL'000	Impairment allowance GEL'000	Carrying amount GEL'000
Loans to retail customers:			
Mortgage loans	7,708	(115)	7,593
Auto loans	246	(2)	244
Pawn shop	15	-	15
Total loans to customers	**7,969**	**(117)**	**7,852**

The following table provides information by types of loans as at 31 December 2012:

	Gross amount GEL'000	Impairment allowance GEL'000	Carrying amount GEL'000
Loans to retail customers:			
Mortgage loans	4,129	-	4,129
Auto loans	113	-	113
Pawn shop	23	-	23
Total loans to customers	**4,265**	**-**	**4,265**

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2013:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans,
	GEL'000	GEL'000	GEL'000	%
Loans to retail customers				
Mortgage loans				
- not overdue	6,269	31	6,238	0.5%
- overdue less than 30 days	573	3	570	0.5%
- overdue 30-60 days	106	5	101	4.7%
- overdue 60-180 days	491	49	442	10.0%
- overdue 180-360 days	269	27	242	10.0%
Total mortgage loans	**7,708**	**115**	**7,593**	**1.5%**
Auto loans				
- not overdue	216	2	214	1.0%
- overdue less more than 30 days	30	-	30	1.0%
Total auto loans	**246**	**2**	**244**	**1.0%**
Pawn shop loans				
- not overdue	15	-	15	-
Total pawn shop loans	**15**	**-**	**15**	**-**
Total loans to customers	**7,969**	**117**	**7,852**	**1.5%**

The following table provides information on the credit quality of the loans to customers as at 31 December 2012:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans,
	GEL'000	GEL'000	GEL'000	%
Loans to retail customers				
Mortgage loans				
- not overdue	3,679	-	3,679	-
- overdue less than 30 days	300	-	300	-
- overdue 30-60 days	84	-	84	-
- overdue 60-180 days	66	-	66	-
Total mortgage loans	**4,129**	**-**	**4,129**	**-**
Auto loans				
- not overdue	113	-	113	-
Total loans	**113**	**-**	**113**	**-**
Pawn shop loans				
- not overdue	23	-	23	-
Total pawn shop loans	**23**	**-**	**23**	**-**
Total loans to customers	**4,265**	**-**	**4,265**	**-**

(b) Key assumptions and judgments for estimating the loan impairment

(i) Loans to retail customers

The Company does not have individually significant loans.

Management estimates loan impairment for loans to retail customers based on an analysis of the future cash flows for impaired loans and based on its past historical loss experience.

The significant assumptions used by management in determining the impairment losses for loans to retail customers include: overdue payments under loan agreement, significant difficulties in the financial conditions of the borrower and realisability of related collateral, if any.

The significant assumptions used by management in determining the impairment losses for mortgage loans include:

- 0.5% collective provision considering the economic environment and market loss experience for not overdue and overdue less than 30 days loans;
- for loans with individual signs of impairment a delay of 6-12 months in obtaining proceeds from the foreclosure of collateral and a discount of between 10% and 20% to the liquid value (which is not more than 70% of originally appraised value) if the property pledged is sold.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to customers as at 31 December 2013 would be GEL 236 thousand lower/higher (2012: GEL 128 thousand).

(c) Analysis of collateral and other credit enhancements

(i) Loans to retail customers

The following table provides the analysis of the loan portfolio, net of impairment:

	2013 GEL'000	% of loan portfolio	2012 GEL'000	% of loan portfolio
Real estate	7,594	97%	4,129	97%
Other	258	3%	136	3%
Total	**7,852**	**100%**	**4,265**	**100%**

The following tables provide information on loans secured by collateral, net of impairment:

31 December 2013 GEL'000	Loans to customers, carrying amount	Fair value of collateral – for collateral assessed as of loan inception date
Not overdue loans	6,435	6,435
Overdue loans	1,417	1,417
Total loans	**7,852**	**7,852**

31 December 2012 GEL'000	Loans to customers, carrying amount	Fair value of collateral – for collateral assessed as of loan inception date
Not overdue loans	3,815	3,815
Overdue loans	450	450
Total mortgage loans	**4,265**	**4,265**

The tables above exclude overcollateralization.

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Company does not necessarily update the valuation of collateral as at each reporting date.

The Company's policy is to issue loans collateralised by real estate with a loan-to-value ratio at the date of loan issuance to be maximum 60%. Due to the low loan-to-value ratio, the management does not expect any negative movements in market prices to have significant impact on recoverability of the loans. Loans collateralised by real estate comprise more than 95% of total portfolio as at 31 December 2013.

(ii) Repossessed collateral

During the year ended 31 December 2013, the company obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of GEL 527 thousand. As at 31 December 2013 (2012: nil), the repossessed collateral comprises:

	2013 **GEL'000**
Real estate	478
Other assets	4
Total repossessed collateral	**482**

The Company's policy is to sell these assets as soon as it is practicable.

(d) Assets under lien

As at 31 December 2013 the loans to customers with a carrying amount of GEL 1,042 thousand (2012: nil) serve as collateral for loans and borrowings (see note 14).

(e) Significant credit exposures

As at 31 December 2013 no individual loan balances or groups of connected borrowers' balances exceed 10% of equity (2012: nil).

(f) Loan maturities

The maturity of the loan portfolio is presented in note 17(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

11 Property and equipment

GEL'000	Computers	Vehicles	Furniture and office equipment	Leasehold improvements	Other	Total
Cost						
Balance at 1 January 2013	44	28	48	216	50	386
Additions	-	55	-	-	2	57
Balance at 31 December 2013	**44**	**83**	**48**	**216**	**52**	**443**
Depreciation						
Balance at 1 January 2013	(7)	(3)	(4)	(18)	(4)	(36)
Depreciation for the year	(11)	(8)	(9)	(49)	(10)	(87)
Balance at 31 December 2013	**(18)**	**(11)**	**(13)**	**(67)**	**(14)**	**(123)**
Carrying amount						
At 31 December 2013	**26**	**72**	**35**	**149**	**38**	**320**
Balance at 6 March 2012 (date of incorporation)	-	-	-	-	-	-
Additions	44	28	48	216	50	386
At 31 December 2012	**44**	**28**	**48**	**216**	**50**	**386**
Depreciation						
Balance at 6 March 2012 (date of incorporation)	-	-	-	-	-	-
Depreciation for the period	(7)	(3)	(4)	(18)	(4)	(36)
Balance at 31 December 2012	**(7)**	**(3)**	**(4)**	**(18)**	**(4)**	**(36)**
Carrying amounts						
At 31 December 2012	**37**	**25**	**44**	**198**	**46**	**350**

There are no capitalized borrowing costs related to the acquisition or construction of property and equipment during 2013 (2012: nil).

12 Intangible assets

GEL'000	**Computer software**
Cost	
Balance at 6 March 2012 (date of incorporation)	-
Additions	89
At 31 December 2012	89
At 31 December 2013	**89**
Amortisation	
Balance at 6 March 2012 (date of incorporation)	-
Amortisation for the period	(11)
Balance at 31 December 2012	**(11)**
Amortisation for the year	(18)
Balance at 31 December 2013	**(29)**
Carrying amounts	
At 31 December 2012	78
At 31 December 2013	**60**

13 Other assets

	2013 GEL'000	**2012 GEL'000**
Other receivables	4	2
Total other financial assets	**4**	**2**
Repossessed assets	482	-
Prepayments	23	22
Total other non-financial assets	**505**	**22**
Total other assets	**509**	**24**

14 Loans and borrowings

This note provides information about the contractual terms of interest-bearing loans and borrowings which are measured at amortized cost. For more information about exposure to interest rate, foreign currency and liquidity risks, see note 17.

	2013 GEL'000	2012 GEL'000
Principal	4,019	332
Interest accrued	4	1
	4,023	**333**

The Company's major lenders include:

	2013 GEL'000	2012 GEL'000
Current liabilities		
Unsecured loans from shareholders	781	-
Unsecured loans from individuals	2,718	-
Secured loans from financial institution	524	333
Total loans and borrowings	**4,023**	**333**

As at 31 December 2013 the secured loans from financial institution is secured by loans to customers with a carrying amount of GEL 1,042 thousand (2012: nil), see note 10.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2013		31 December 2012	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Unsecured loans from shareholders	USD	14%-15%	2014	781	781	-	-
Unsecured loans from individuals	USD	14%	2014	2,718	2,718	-	-
Secured loans from financial institution	USD	15%	2014	524	524	333	333
Total interest-bearing liabilities				**4,023**	**4,023**	**333**	**333**

15 Other liabilities

	2013 GEL'000	2012 GEL'000
Other payables	13	57
Total other financial liabilities	**13**	**57**
Prepayment received	55	17
Taxes other than on income	2	2
Total other non-financial liabilities	**57**	**19**
Total other liabilities	**70**	**76**

16 Equity

(a) Charter capital

Charter capital represents the nominal amount of capital in the founding documentation of the Company and is subject to state registration.

(b) Dividends

In accordance with Georgian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRSs. As at 31 December 2013 the Company had retained earnings of GEL 505 thousand (2012: Accumulated loss GEL 193 thousand).

17 Risk management

Management of risk is fundamental to the business and is an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Supervisory Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Company's Executive Directors and the Finance Function are responsible for monitoring and implementation of risk mitigation measures and making sure that the Company operates within the established risk parameters. The Chief Executive Officer is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Supervisory Board.

Both external and internal risk factors are identified and managed throughout the organization. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Chief Executive Officer monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk for the Company arises from open positions in interest rate financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the Supervisory Board.

The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by the Supervisory Board.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate. A summary of the interest gap position for major financial instruments is as follows:

GEL'000	Less than 3 months	3-6 months	6-12 months	1-5 years	Non-interest bearing	Carrying amount
31 December 2013						
ASSETS						
Cash and cash equivalents	733	-	-	-	8	741
Loans to customers	1,109	1,045	1,597	4,101	-	7,852
	1,842	**1,045**	**1,597**	**4,101**	**8**	**8,593**
LIABILITIES						
Loans and borrowings	**(4)**	**(1,016)**	**(3,003)**	**-**	**-**	**(4,023)**
Net position	**1,838**	**29**	**(1,406)**	**4,101**	**8**	**4,570**
31 December 2012						
ASSETS						
Cash and cash equivalents	219	-	-	-	46	265
Loans to customers	214	31	634	3,386	-	4,265
	433	**31**	**634**	**3,386**	**46**	**4,530**
LIABILITIES						
Loans and borrowings	**(1)**	**-**	**(332)**	**-**	**-**	**(333)**
Net position	**432**	**31**	**302**	**3,386**	**46**	**4,197**

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2013 and 2012. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2013 Average effective interest rate, %	**2012 Average effective interest rate, %**
	USD	**USD**
Interest bearing assets		
Loans to customers	35%	36%
Interest bearing liabilities		
Loans and borrowings	14%	13%

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of net profit to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2013 and 2012 is as follows:

	2013 GEL'000	**2012 GEL'000**
100 bp parallel fall	39	36
100 bp parallel rise	(39)	(36)

(ii) Currency risk

The Company has assets and liabilities denominated in foreign currency.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2013:

	USD GEL'000
ASSETS	
Cash and cash equivalents	595
Loans to customers	7,852
Total assets	**8,447**
LIABILITIES	
Loans and borrowings	4,023
Total liabilities	**4,023**
Net position	**4,424**

The following table shows the currency structure of financial assets and liabilities as at 31 December 2012:

	USD GEL'000
ASSETS	
Cash and cash equivalents	242
Loans to customers	4,265
Total assets	**4,507**
LIABILITIES	
Loans and borrowings	333
Total liabilities	**333**
Net position	**4,174**

The following significant exchange rates were applied during the year:

in GEL	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
USD 1	1.6634	1.6513	1.7363	1.6567
EUR 1	2.2094	2.1232	2.3891	2.1825

A weakening of the GEL, as indicated below, against the following currencies at 31 December 2013 and 2012 would have increased (decreased) profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2013 GEL'000	2012 GEL'000
10% appreciation of USD against GEL	376	355

A strengthening of the GEL against the above currencies at 31 December 2013 and 2012 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company has policies and procedures for the management of credit exposures, including the establishment of a Credit Committees, the analytical bodies responsible for analysing the information in the loan applications, assessing and reducing the credit risks. The credit policy (in form of Credit Manual) is reviewed and approved by the Supervisory Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

The Credit Committee is authorized to make the final decision about financing or rejecting the loan applications. The loans presented to the Committee for approval are based on limits established by the credit policy.

Accuracy and correctness of information presented to the Credit Committee is the responsibility of the credit officer, who fills in the initial application after the due scrutiny of the applicant's business and its credit risks through the use of scoring models and application data verification procedures. Eventually the Credit Committee members assess the application against the established criteria (applicant's credit history, financial condition, competitive ability, etc.).

Exposure to credit risk is managed, in part, by obtaining collateral and personal guarantees.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 10.

As at 31 December 2013 the Company has no debtors or groups of connected debtors (2012: nil), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Supervisory Boards.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining liquidity and funding contingency plans

Liquidity position is monitored by the Finance Department. Under the normal market conditions, information on the liquidity position are presented to the Supervisory board on a weekly basis. Decisions on liquidity management are made by the Supervisory board and implemented by the Finance Department.

The following tables show the undiscounted cash flows on financial liabilities and on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liabilities.

The maturity analysis for financial liabilities as at 31 December 2013 is as follows:

GEL'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Total gross amount outflow	Carrying amount
Non-derivative liabilities						
Loans and borrowings	93	318	865	3,140	4,416	4,023
Other financial liabilities	13	-	-	-	13	13
Total financial liabilities	**106**	**318**	**865**	**3,140**	**4,429**	**4,036**

The maturity analysis for financial liabilities as at 31 December 2012 is as follows:

GEL'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Total gross amount outflow	Carrying amount
Non-derivative liabilities						
Loans and borrowings	7	6	7	342	362	333
Other financial liabilities	57	-	-	-	57	57
Total financial liabilities	**64**	**6**	**7**	**342**	**419**	**390**

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2013:

GEL'000	Demand and less than 1 month	From 1 to 3 month	From 3 to 12 months	From 1to 5 years	No maturity	Overdue	Total
Non-derivative assets							
Cash and cash equivalents	741	-	-	-	-	-	741
Loans to customers	160	753	2,641	4,101	-	197	7,852
Property and equipment	-	-	-	-	320	-	320
Intangible assets	-	-	-	-	60	-	60
Deferred tax assets	-	-	-	-	6	-	6
Other assets	27	-	482	-	-	-	509
Total non-derivative assets	**928**	**753**	**3,123**	**4,101**	**386**	**197**	**9,488**
Non-derivative liabilities							
Loans and borrowings	4	-	4,019	-	-	-	4,023
Current tax liability	-	-	90	-	-	-	90
Other liabilities	70	-	-	-	-	-	70
Total non-derivative liabilities	**74**	**-**	**4,109**	**-**	**-**	**-**	**4,183**
Net position	**854**	**753**	**(986)**	**4,101**	**386**	**197**	**5,305**

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2012:

GEL'000	Demand and less than 1 month	From 1 to 3 month	From 3 to 12 months	From 1to 5 years	No maturity	Overdue	Total
Non-derivative assets							
Cash and cash equivalents	265	-	-	-	-	-	265
Loans to customers	41	144	665	3,386	-	29	4,265
Property and equipment	-	-	-	-	350	-	350
Intangible assets	-	-	-	-	78	-	78
Deferred tax assets	-	-	-	-	34	-	34
Other assets	24	-	-	-	-	-	24
Total non-derivative assets	**330**	**144**	**665**	**3,386**	**462**	**29**	**5,016**
Non-derivative liabilities							
Loans and borrowings	1	-	332	-	-	-	333
Other liabilities	76	-	-	-	-	-	76
Total non-derivative liabilities	**77**	**-**	**332**	**-**	**-**	**-**	**409**
Net position	**253**	**144**	**333**	**3,386**	**462**	**29**	**4,607**

18 Capital management

The Company's objectives when maintaining capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, increase charter capital, or sell assets to reduce debt.

The Company is in compliance with minimum statutory capital requirements as at 31 December 2013 and 2012.

19 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 Company does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, 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.

(c) Taxation contingencies

The taxation system in Georgia continues to evolve 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 six 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 Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

20 Related party transactions

(a) Control relationships

The Company is equally owned by two individuals, who are also the ultimate controlling parties.

(b) Transactions with the members of the Directors and Supervisory Boards

Total remuneration included in personnel expenses for the years ended 31 December 2013 and 2012 is as follows:

	2013 GEL'000	2012 GEL'000
Salaries and bonuses	**790**	**283**

(c) Transactions with the owners

The outstanding balances and related profit or loss amounts of transactions for the year ended 31 December 2013 (2012: nil) with the owners are as follows:

	Note	2013 GEL'000
Statement of financial position		
LIABILITIES		
Loans and borrowings	14	781
Profit (loss)		
Interest expense		72

The majority of balances resulting from transactions with related parties mature within one year. Transactions with related parties are not secured.

21 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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 Company has determined fair values 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.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 34%-36% are used for discounting future cash flows from loans to customers;
- discount rates of 14%-15% are used for discounting future cash flows from loans and borrowings.

As at 31 December 2013 and 2012, the Company does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

The Company estimates the fair value of financial assets and liabilities to be not materially different from their carrying values.

22 Events after the reporting period

In January 2014 the Company declared and paid dividends amounting to GEL 591 thousand.