Microfinance Organization
Continental City Credit LLC

Consolidated Financial Statements

for the year ended 31 December 2014

Contents

Independent Auditors' Report 3
Consolidated statement of profit or loss and other comprehensive income 4
Consolidated statement of financial position 5
Consolidated statement of cash flows 6
Consolidated statement of changes in equity 7
Notes to the consolidated financial statements 8
1 Background 8
2 Basis of preparation 9
3 Significant accounting policies 9
4 Net interest income 16
5 Fee and commission income 17
6 Personnel expenses 17
7 Other general administrative expenses 17
8 Income tax expense 18
9 Cash and cash equivalents 19
10 Loans to customers 19
11 Property and equipment 24
12 Intangible assets 25
13 Other assets 25
14 Loans and borrowings 26
15 Other liabilities 27
16 Equity 27
17 Risk management 27
18 Capital management 33
19 Contingencies 34
20 Related party transactions 34
21 Financial assets and liabilities: fair values and accounting classifications 35
22 Events after the reporting period 36

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Independent Auditors' Report

To the Shareholders and Supervisory Board
Microfinance Organization Continental City Credit LLC

We have audited the accompanying consolidated financial statements of Microfinance Organization Continental City Credit LLC and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated 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 Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

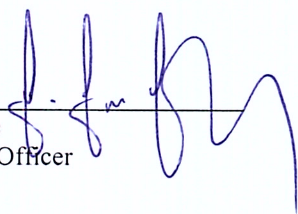
KPMG Georgia LLC

23 April 2015

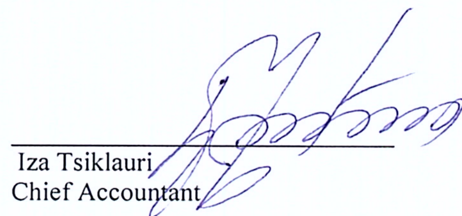
KPMG Georgia LLC, a company incorporated under the Laws of Georgia, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

	Notes	2014 GEL'000	2013 GEL'000
Interest income	4	3,259	1,936
Interest expense	4	(912)	(248)
Net interest income		**2,347**	**1,688**
Fee and commission income	5	1,000	588
Fee and commission expense		(22)	(12)
Net fee and commission income		**978**	**576**
Net foreign exchange income		326	204
Other operating income		52	37
Operating income		**3,703**	**2,505**
Impairment losses	10	(198)	(117)
Personnel expenses	6	(1,164)	(1,042)
Other general administrative expenses	7	(656)	(530)
Profit before income tax		**1,685**	**816**
Income tax expense	8	(246)	(118)
Profit and other comprehensive income for the year		**1,439**	**698**
Profit attributable to:			
- Equity holders of the Group		1,442	698
- Non-controlling interests		(3)	-
Profit and other comprehensive income for the year		**1,439**	**698**

The consolidated financial statements as set out on pages 4 to 36 were approved by management on 23 April 2015 and were signed on its behalf by:



Giorgi Goguadze
Chief Executive Officer



Iza Tsiklauri
Chief Accountant

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

	Notes	2014 GEL'000	2013 GEL'000
ASSETS			
Cash and cash equivalents	9	1,471	741
Loans to customers	10	13,705	7,852
Property and equipment	11	326	320
Intangible assets	12	43	60
Deferred tax assets	8	43	6
Other assets	13	827	509
Total assets		**16,415**	**9,488**
LIABILITIES			
Loans and borrowings:	14		
- Principal		10,111	4,019
- Interest		13	4
Current tax liability		191	90
Other liabilities	15	146	70
Total liabilities		**10,461**	**4,183**
EQUITY			
Charter capital	16	4,800	4,800
Retained earnings		1,157	505
Total equity attributable to equity holders of the Group		**5,957**	**5,305**
Non-controlling interests		(3)	-
Total equity		**5,954**	**5,305**
Total liabilities and equity		**16,415**	**9,488**

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

	Notes	2014 GEL'000	2013 GEL'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		2,868	1,904
Interest payments		(903)	(242)
Fee and commission receipts		1,131	643
Fee and commission payments		(22)	(10)
Other income receipts		52	36
Personnel expenses payments		(1,164)	(1,031)
Other general administrative expenses payments		(543)	(420)
Increase in operating assets			
Loans to customers		(5,026)	(3,587)
Other assets		(318)	(473)
Increase in operating liabilities			
Other liabilities		82	(6)
Net cash used in operating activities before income tax paid		**(3,843)**	**(3,186)**
Income tax paid		**(182)**	**-**
Cash flows used in operations		**(4,025)**	**(3,186)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(120)	(57)
Purchases of intangible assets		(1)	-
Cash flows used in investing activities		**(121)**	**(57)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from loans and borrowings		7,905	4,373
Repayment of loans and borrowings		(2,307)	(686)
Dividends paid		(790)	-
Cash flows from financing activities		**4,808**	**3,687**
Net increase in cash and cash equivalents		**662**	**444**
Effect of changes in exchange rates on cash and cash equivalents		68	32
Cash and cash equivalents as at the beginning of the year		741	265
Cash and cash equivalents as at the end of the year	9	**1,471**	**741**

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

GEL'000	Charter capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2013	4,800	(193)	4,607	-	4,607
Profit and other comprehensive income for the year	-	698	698	-	698
Balance at 31 December 2013	**4,800**	**505**	**5,305**	**-**	**5,305**
Balance as at 1 January 2014	4,800	505	5,305	-	5,305
Profit and other comprehensive income for the year	-	1,442	1,442	(3)	1,439
Transactions with owners, recorded directly in equity					
Dividends declared and paid	-	(790)	(790)	-	(790)
Balance as at 31 December 2013	**4,800**	**1,157**	**5,957**	**(3)**	**5,954**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated 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. The Company's activities are performed according to "Georgian law on Microfinance Organisations" and regulated by the National Bank of Georgia.

As of 31 December 2014 and 2013, the Company is owned by two individuals: Michael Bashirov (50%) and David Uzarashvili (50%).

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.

In September 2014 the Company established a new subsidiary: CC Loan LLC, where the Company holds 90% ownership and the other 10% is owned by two Georgian resident individuals. The subsidiary is registered and incorporates in Georgia and is engaged in provision of online credits.

Related party transactions are disclosed in note 20.

(b) Georgian business environment

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The functional currency of the Group 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 consolidated financial statements.

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

(d) Use of estimates and judgments

The preparation of consolidated 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 recognized 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.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the Company.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statement of profit or loss and other comprehensive income.

(c) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Group 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 amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized 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 recognized in profit or loss.

(d) 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 amortized cost in the consolidated statement of financial position.

(e) 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 Group:

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

The Group 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 consolidated statement of financial position when the Group 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 their 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) Amortized 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 amortization using the effective interest method of any difference between the initial amount recognized 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group uses valuation techniques that maximize the use of relevant observable inputs and minimize 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 Group 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 recognized 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 Group 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 Group 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 Group is recognized as a separate asset or liability in the consolidated statement of financial position. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group writes off assets deemed to be uncollectible.

(viii) Offsetting

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

(f) 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. Land is not depreciated. 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.

(g) Intangible assets

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

Acquired computer software licenses are capitalized 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.

(h) Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The Group recognises repossessed assets in the consolidated 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 Group'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.

(i) Impairment

The Group 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 Group determines the amount of any impairment loss.

A financial asset or a 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 group 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 Group 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 related 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 Group reviews its loans and receivables to assess impairment on a regular basis.

The Group 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 Group 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 group 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 recognized 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 related to similar borrowers. In such cases, the Group 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 recognized.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group 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 recognized 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 amortization, if no impairment loss had been recognized.

(j) Equity

(i) Charter Capital

Charter capital is classified as equity.

(ii) Dividends

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

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

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized 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 recognized 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 recognized 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 Group 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 recognized 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 utilized. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

(l) Income and expense recognition

Interest income and expense are recognized 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 recognized in profit or loss when the corresponding service is provided.

Dividend income is recognized in profit or loss on the date that the dividend is declared.

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

(m) 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 2014, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group 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 the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalized and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Group recognizes that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The Group has not analyzed the impact of these changes yet. The Group does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- 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 2015. The Group has not yet analyzed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2014 GEL'000	2013 GEL'000
Interest income		
Loans to customers	3,194	1,909
Cash and cash equivalents	65	27
	3,259	**1,936**
Interest expense		
Loans and borrowings	**(912)**	**(248)**
	2,347	**1,688**

Included within interest income from loans to customers for the year ended 31 December 2014 is a total of GEL 594 thousand (2013: GEL 279 thousand) accrued on impaired financial assets.

5 Fee and commission income

	2014 GEL'000	2013 GEL'000
Settlement and early repayment fees	874	547
Commission fee income	68	-
Other	58	41
	1,000	**588**

6 Personnel expenses

	2014 GEL'000	2013 GEL'000
Employee compensation	931	834
Payroll related taxes	233	208
	1,164	**1,042**

7 Other general administrative expenses

	2014 GEL'000	2013 GEL'000
Rent	269	254
Depreciation and amortization	132	105
Legal and other professional services	52	60
Repairs and maintenance	51	16
Utilities and communication	41	38
Marketing and advertising	23	5
Consumables and office supplies	8	2
Stationery expenses	5	2
Security expenses	4	5
Taxes other than on income	3	3
Other	68	40
	656	**530**

8 Income tax expense

	2014 GEL'000	2013 GEL'000
Current year tax expense	283	90
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(37)	28
Total income tax expense	**246**	**118**

In 2014, the applicable tax rate for current and deferred tax is 15% (2013: 15%).

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

	2014 GEL'000	%	2013 GEL'000	%
Profit before tax	1,685		816	
Income tax at the applicable tax rate	253	15	122	15
Non-taxable income	(7)	(0.4)	(4)	(0.5)
	246	**14.6%**	**118**	**14.5%**

(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 2014 and 2013. The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2014 and 2013 are presented as follows.

GEL'000	Balance 1 January 2014	Recognised in profit or loss	Balance 31 December 2014
Loans to customers	23	42	65
Property and equipment	(23)	(3)	(26)
Intangible assets	-	2	2
Other assets	3	(3)	0
Loans and Borrowings	-	2	2
Other liabilities	3	(3)	0
	6	**37**	**43**

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**

9 Cash and cash equivalents

	2014 GEL'000	2013 GEL'000
Cash on hand	29	8
Bank balances	1,442	733
Total cash and cash equivalents	**1,471**	**741**

No cash and cash equivalents are impaired or past due. The majority of the Group's cash in banks is with Georgian 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 2014 the Group has no bank (2013: nil), whose balances exceed 10% of equity.

10 Loans to customers

	2014 GEL'000	2013 GEL'000
Principal	13,230	7,646
Interest	475	206
Total loans to customers	**13,705**	**7,852**

	2014 GEL'000	2013 GEL'000
Loans to retail customers		
Mortgage loans	13,789	7,708
Auto loans	215	246
Pawn shop	16	15
Total loans to retail customers	**14,020**	**7,969**
Gross loans to customers	**14,020**	**7,969**
Impairment allowance	(315)	(117)
Net loans to customers	**13,705**	**7,852**

Movements in the loan impairment allowance during 2014 are as follows

	2014 GEL'000
Balance at the beginning of the year	(117)
Net charge	(198)
Balance at the end of the year	**(315)**

Movements in the loan impairment allowance during 2013 are as follows

	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 2014:

	Gross amount GEL'000	Impairment allowance GEL'000	Carrying amount GEL'000
Loans to retail customers:			
Mortgage loans	13,789	(305)	13,484
Auto loans	215	(7)	208
Pawn shop	16	(3)	13
Total loans to customers	**14,020**	**(315)**	**13,705**

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**

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2014:

	Gross loans GEL'000	Impairment allowance GEL'000	Net loans GEL'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not overdue	9,954	50	9,904	0.5%
- overdue less than 30 days	1,458	7	1,451	0.5%
- overdue 30-60 days	816	40	776	4.9%
- overdue 60-180 days	1,156	115	1,041	10.0%
- overdue 180-360 days	405	93	312	23.0%
Total mortgage loans	**13,789**	**305**	**13,484**	**2.2%**
Auto loans				
- not overdue	150	1	149	0.7%
- overdue less more than 30 days	65	6	59	9.2%
Total auto loans	**215**	**7**	**208**	**3.3%**
Other loans				
- overdue less more than 30 days	16	3	13	18.8%
Total other loans	**16**	**3**	**13**	**18.8%**
Total loans to customers	**14,020**	**315**	**13,705**	**2.3%**

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

	Gross loans GEL'000	Impairment allowance GEL'000	Net loans GEL'000	Impairment allowance to gross loans, %
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%**

(b) Key assumptions and judgments for estimating loan impairment

(i) Loans to retail customers

The Group 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 2014 would be GEL 411 thousand lower/higher (2013: GEL 236 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:

	2014 GEL'000	**% of loan portfolio**	**2013 GEL'000**	**% of loan portfolio**
Real estate	13,482	98%	7,594	97%
Other	223	2%	258	3%
Total	**13,705**	**100%**	**7,852**	**100%**

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

31 December 2014 **GEL'000**	**Loans to customers, carrying amount**	**Fair value of collateral – for collateral assessed as of loan inception date**
Not overdue loans	10,053	10,053
Overdue loans	3,652	3,652
Total loans	**13,705**	**13,705**

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	6,467	6,467
Overdue loans	1,385	1,385
Total mortgage loans	**7,852**	**7,852**

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 Group does not necessarily update the valuation of collateral as at each reporting date.

The Group'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 2014.

(ii) Repossessed collateral

During the year ended 31 December 2014, the Group obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of GEL 713 thousand. As at 31 December 2014 and 2013, the repossessed collateral comprises:

	2014 GEL000	2013 GEL'000
Real estate	713	478
Other assets	6	4
Total repossessed collateral	**719**	**482**

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

(d) Asset under lien

As at 31 December 2014 no loans to customers (2013: GEL 1,042 thousands) serve as collateral for loans and borrowings.

(e) Significant credit exposures

As at 31 December 2014 no individual loan balances or groups of connected borrowers' balances exceed 10% of equity (2013: 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 2014	44	83	48	216	52	443
Additions	20	84	16	-	-	120
Balance at 31 December 2014	**64**	**167**	**64**	**216**	**52**	**563**
Depreciation						
Balance at 1 January 2014	(18)	(11)	(13)	(67)	(14)	(123)
Depreciation for the year	(16)	(26)	(12)	(49)	(11)	(114)
Balance at 31 December 2014	**(34)**	**(37)**	**(25)**	**(116)**	**(25)**	**(237)**
Carrying amount						
At 31 December 2014	**30**	**130**	**39**	**100**	**27**	**326**
Balance at 1 January 2013	44	28	48	216	50	386
Additions	-	55	-	-	2	57
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 amounts						
At 31 December 2013	**26**	**72**	**35**	**149**	**38**	**320**

There are no capitalized borrowing costs related to the acquisition or construction of property and equipment during 2014 (2013: nil).

12 Intangible assets

GEL'000	Computer software
Cost	
Balance as at 1 January 2013	89
At 31 December 2013	**89**
Additions	1
At 31 December 2014	**90**
Amortization	
Balance as at 1 January 2013	(11)
Amortization for the year	(18)
Balance at 31 December 2013	**(29)**
Amortization for the year	(18)
Balance at 31 December 2014	**(47)**
Carrying amounts	
At 31 December 2013	60
At 31 December 2014	**43**

13 Other assets

	2014 GEL'000	2013 GEL'000
Other receivables	76	4
Total other financial assets	**76**	**4**
Repossessed assets	719	482
Prepayments	27	23
Other assets	5	-
Total other non-financial assets	**751**	**505**
Total other assets	**827**	**509**

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.

	2014 GEL'000	2013 GEL'000
Principal	10,111	4,019
Interest accrued	13	4
	10,124	**4,023**

The Group's major lenders include:

	2014 GEL'000	2013 GEL'000
Non-current liabilities		
Unsecured loans from shareholders	1,864	-
Unsecured loans from individuals	373	-
Secured loans from financial institution	207	-
Total non-current liabilities	**2,444**	**-**
Current liabilities		
Unsecured loans from shareholders	764	781
Unsecured loans from individuals	6,719	2,718
Secured loans from financial institution	197	524
Total current liabilities	**7,680**	**4,023**
Total loans and borrowings	**10,124**	**4,023**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2014		31 December 2013	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Unsecured loans from shareholders	USD	12%-13%	2015-2016	2,628	2,628	781	781
Unsecured loans from individuals	USD	11%-14%	2015-2016	7,092	7,092	2,718	2,718
Secured loans from financial institution	USD	12%	2015-2016	404	404	524	524
Total interest-bearing liabilities				**10,124**	**10,124**	**4,023**	**4,023**

Secured loans from financial institution are secured by the repossessed assets with a carrying amount of GEL 433 thousand (2013: nil), see note 13.

15 Other liabilities

	2014 GEL'000	2013 GEL'000
Other payables	13	13
Total other financial liabilities	**13**	**13**
Prepayment received	133	55
Taxes other than on income	-	2
Total other non-financial liabilities	**133**	**57**
Total other liabilities	**146**	**70**

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.

As at 31 December 2014 and 2013, the Company's total authorised share capital was GEL 5,000 thousand out of which GEL 4,800 thousand was paid.

(b) Dividends

In accordance with Georgian legislation the Group's distributable reserves are limited to the balance of retained earnings as recorded in the Group's statutory financial statements prepared in accordance with IFRSs. As at 31 December 2014 the Group had retained earnings of GEL 1,157 thousand (2013: GEL 505 thousand).

17 Risk management

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

(a) Risk management policies and procedures

The risk management policies aim to identify, analyze and manage the risks faced by the Group, 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 Group's Executive Directors and the Finance Function are responsible for monitoring and implementing risk mitigation measures, and ensuring that the Group operates within 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 President and indirectly to the Supervisory Board.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over 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 respective 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 arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

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

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

The Group 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 Group 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 gaps. 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	More than 5 years	Non-interest bearing	Carrying amount
31 December 2014							
ASSETS							
Cash and cash equivalents	1,442	-	-	-	-	29	1,471
Loans to customers	2,549	1,248	2,063	7,800	45	-	13,705
	3,991	**1,248**	**2,063**	**7,800**	**45**	**29**	**15,176**
LIABILITIES							
Loans and borrowings	(1,261)	(1,696)	(4,723)	(2,444)	-	-	(10,124)
Net position	**2,730**	**(448)**	**(2,660)**	**5,356**	**45**	**29**	**5,052**

GEL'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 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**

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2014 and 2013. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2014 Average effective interest rate, %	2013 Average effective interest rate, %
	USD	**USD**
Interest bearing assets		
Loans to customers	31%	35%
Interest bearing liabilities		
Loans and borrowings	13%	14%

(ii) Currency risk

The Group has assets and liabilities denominated in foreign currency.

Currency risk is the risk that the fair value or the 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 2014:

	USD GEL'000
ASSETS	
Cash and cash equivalents	1,331
Loans to customers	13,705
Total assets	**15,036**
LIABILITIES	
Loans and borrowings	10,124
Total liabilities	**10,124**
Net position	**4,912**

The following table shows the foreign currency 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 significant exchange rates were applied during the year:

in GEL	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
USD 1	1.7659	1.6634	1.8636	1.7363
EUR 1	2.3462	2.2094	2.2656	2.3891

A weakening of the GEL, as indicated below, against the following currencies at 31 December 2014 and 2013 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 Group 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.

	2014 GEL'000	2013 GEL'000
20% appreciation of USD against GEL	835	752

A strengthening of the GEL against the above currencies at 31 December 2014 and 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(c) Credit risk

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

The Group has policies and procedures in place to manage 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 consolidated 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 2014 the Group has no debtors or groups of connected debtors (2013: nil), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

(d) Liquidity risk

Liquidity risk is the risk that the Group 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 Group 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 utflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liabilities.

The analysis for undiscounted cash flows on financial liabilities as at 31 December 2014:

GEL'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	1-5 Years	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Loans and borrowings	571	967	1,959	5,010	2,642	11,149	10,124
Other financial liabilities	13	-	-	-	-	13	13
Total financial liabilities	**584**	**967**	**1,959**	**5,010**	**2,642**	**11,162**	**10,137**

The analysis for undiscounted cash flows on financial liabilities as at 31 December 2013:

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 ffinancial liabilities	**106**	**318**	**865**	**3,140**	**4,429**	**4,036**

The following tables provide an analysis, by expected maturities, of amounts recognized in the consolidated statement of financial position as at 31 December 2014:

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	1,471	-	-	-	-	-	1,471
Loans to customers	488	1,276	3,356	7,800	-	785	13,705
Property and equipment	-	-	-	-	326	-	326
Intangible assets	-	-	-	-	43	-	43
Deferred tax assets	-	-	-	-	43	-	43
Other assets	109	-	718	-	-	-	827
Total non-derivative assets	**2,068**	**1,276**	**4,074**	**7,800**	**412**	**785**	**16,415**
Non-derivative liabilities							
Loans and borrowings	-	1,261	6,419	2,444	-	-	10,124
Current tax liability	-	-	191	-	-	-	191
Other liabilities	146	-	-	-	-	-	146
Total non-derivative liabilities	**146**	**1,261**	**6,610**	**2,444**	**-**	**-**	**10,461**
Net position	**1,922**	**15**	**(2,536)**	**5,356**	**412**	**785**	**5,954**

The table below shows an analysis, by expected maturities, of the amounts recognized in the consolidated 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**

18 Capital management

The Group's objectives when maintaining capital are:

- to safeguard the Group'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 Group sets the amount of capital it requires in proportion to risk. The Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, increase charter capital, or sell assets to reduce debt.

The Group is in compliance with minimum statutory capital requirements as at 31 December 2014 and 2013.

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 Group 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 Group 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 Group 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 Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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 2014 and 2013 is as follows:

	2014 GEL'000	2013 GEL'000
Salaries and bonuses	**749**	**790**

(d) Transactions with owners

The outstanding balances and related profit or loss amounts of transactions for the year ended 31 December 2014 and 2013 with the owners are as follows:

	Note	2014 GEL'000	2013 GEL'000
Statement of financial position			
LIABILITIES			
Loans and borrowings	14	2,628	781
Profit (loss)			
Interest expense		167	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

Accounting classifications and fair values

The Group 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 Group 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 30%-36% are used for discounting future cash flows from loans to customers;
- discount rates of 11%-14% are used for discounting future cash flows from loans and borrowings.

As at 31 December 2014 and 2013, the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

The Group 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 and February 2015 the Company declared and paid dividends of GEL 1,316 thousand.

In February 2015 shareholders of the Company sold their shares to a new shareholder Gai-ben Levi, an Israeli citizen, in such a way that after the sale each of the shareholder hold 1/3 of the Company's shares.

During January-February 2015 the Company invested GEL 340 thousand in its subsidiary: CC Loan LLC.

From January 2015 to March 2015 the GEL foreign exchange rate devalued by approximately 19% in comparison to USD. According to the management of the Group impact of such devaluation is significant, resulted in net gain from foreign currencies translation differences on the Group's consolidated statement of profit or loss and other comprehensive income.