JSC Georgian Credit

Financial Statements

Together with the

Independent Auditors' Report

Year ended 31 December 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of **Joint Stock Company Georgian Credit**

We have audited the accompanying financial statements of the **Joint Stock Company Georgian Credit** (hereinafter - the Company), which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 **Joint Stock Company Georgian Credit** as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

24 May 2016

Tbilisi, Georgia

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

(In GEL)

	NOTE	2015	2014
Interest income	5	6,256,012	4,289,010
Interest expense	5	(2,298,631)	(1,470,249)
NET INTEREST INCOME		**3,957,381**	**2,818,761**
Provision for loan impairment	6	(730,270)	(340,305)
NET INTEREST INCOME AFTER PROVISION FOR LOAN IMPAIRMENT		**3,227,111**	**2,478,456**
Fee and commission income	7	808,382	452,572
Net gain on financial instruments at fair value through profit or loss		57,353	-
Staff costs including salaries and bonuses	8	(2,976,396)	(1,556,236)
General and administrative expenses	9	(2,061,249)	(1,048,874)
Net other income		11,646	35,625
Gain on revaluation of investment property	15	464,238	462,524
Gain/(loss) from exchange rate differences	10	(658,088)	305,395
PROFIT/(LOSS) BEFORE INCOME TAX		**(1,127,003)**	**1,129,462**
Income tax benefit/(expense)	11	81,459	(105,007)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(1,045,544)**	**1,024,455**

Signed on behalf of management on 24 May 2016 by:

Director ____________________ G.Naskidashvili

Chief Accountant ____________________ N.Begheluri

Notes on pages 8-36 are the integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(In GEL)

	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
ASSETS			
Cash and cash equivalents	12	1,864,479	3,558,025
Financial instruments at fair value through profit or loss	13	117,979	-
Loans to customers	14	23,628,277	14,817,829
Investment property	15	1,551,439	927,011
Property and equipment	16	1,148,865	616,830
Intangible assets	17	65,404	70,285
Current income tax asset		113,593	-
Other assets	18	265,118	204,908
Deferred tax asset	19	37,849	-
TOTAL ASSETS		**28,793,003**	**20,194,888**
LIABILITIES			
Deferred income tax liability	19	-	43,610
Borrowings	20	24,694,866	16,812,936
Subordinated borrowings	21	958,579	-
Current income tax payable		-	701
Other liabilities	22	269,196	94,085
TOTAL LIABILITIES		**25,922,641**	**16,951,332**
EQUITY			
Statutory capital	23	935,546	850,546
Share premium	23	962,350	375,000
Retained earnings		972,466	2,018,010
TOTAL EQUITY		**2,870,362**	**3,243,556**
TOTAL LIABILITIES AND EQUITY		**28,793,003**	**20,194,888**

Notes on pages 8-36 are the integral part of these financial statements.

STATEMENT ON CHANGES IN EQUITY

For the year ended 31 December 2015

(In GEL)

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL
BALANCE AT 31 DECEMBER 2013	**850,546**	**375,000**	**993,555**	**2,219,101**
Total comprehensive income for the year	-	-	1,024,455	**1,024,455**
BALANCE AT 31 DECEMBER 2014	**850,546**	**375,000**	**2,018,010**	**3,243,556**
Issue of share	85,000	587,350	-	**672,350**
Total comprehensive loss for the year	-	-	(1,045,544)	**(1,045,544)**
BALANCE AT 31 DECEMBER 2015	**935,546**	**962,350**	**972,466**	**2,870,362**

Notes on pages 8-36 are the integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

(In GEL)

	NOTE	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before income tax		**(1,127,003)**	**1,129,462**
Adjustments for:			
Provision for loan impairment	6	730,270	340,305
Depreciation and amortization	9	233,458	98,217
Foreign exchange translation differences	10	658,088	(305,395)
Net gain on financial instruments at fair value through profit or loss		(57,353)	
Gain on revaluation of investment properties	15	(464,238)	(462,524)
Interest expense	5	2,298,631	1,470,250
Net loss from sale of investment property		74,155	-
Net other income		-	(41,038)
Cash inflow from operating activities before changes in operating assets and liabilities		**2,346,008**	**2,229,277**
Decrease/(increase) in operating assets:			
Loans to customers		(7,438,166)	(3,923,207)
Other assets		292,475	43,498
Financial instruments at fair value through profit or loss		(60,626)	-
Increase/(decrease) in operating liabilities:			
Other liabilities		716,686	334,740
Cash outflow from operating activities before interest and taxation		**(4,143,623)**	**(1,315,692)**
Interest paid		(2,649,932)	(1,404,514)
Income tax paid		(106,646)	(203,770)
Net cash outflow from operating activities		**(6,900,201)**	**(2,923,976)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment		(755,918)	(451,746)
Proceeds from sale of property and equipment		-	420,307
Purchase of investment properties	15	(254,736)	(29,210)
Proceeds from sale of investment property		16,120	26,743
Purchase of intangible assets		(5,264)	(29,155)
Net cash outflow from investing activities		**(999,798)**	**(63,061)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(11,299,930)	(13,505,185)
Proceeds from borrowings		16,182,506	19,187,516
Proceeds from share issue	23	102,024	-
Net cash inflow from financing activities		**4,984,600**	**5,682,331**
Net increase in cash and cash equivalents		**(2,915,399)**	**2,695,294**
Cash and cash equivalents at the beginning of the period	12	3,558,025	**769,486**
Effect of exchange rate fluctuations on the cash and cash equivalents held in foreign currencies	10	1,221,853	93,245
Cash and cash equivalents at the end of the year	12	**1,864,479**	**3,558,025**

Notes on pages 8-36 are the integral part of these financial statements.

1. GENERAL INFORMATION

Microfinance Organisation Georgian Credit (hereinafter – the Company) is a Joint Stock Company which was established on 12 September 2006 in Tbilisi, Georgia, accordance with the Georgian legislation.

The Company conducts its business under the Law on Microfinance Activity and is regulated by the National Bank of Georgia ("NBG").

As a principal business activity - the Company provides micro and small loans (up to GEL 50,000) to customers in Georgia. Loans are disbursed in USD, GEL and EUR.

The Company had 16 and 9 branches as at 31 December 2015 and 2014 respectively.

Head office of JSC MFO Georgian Credit is located on 12 S. Tsintsadze str. Tbilisi, Georgia.

As at 31 December 2015 and 2014 following shareholders owned Company's shares:

Shareholders	31 December 2015, %	31 December 2014, %
Eastern Capital AS	43.62%	43.21%
Tim Meyer-Schell	19.31%	26.01%
Alea Equity GBR	6.59%	7.25%
Jochen Zimmermann	6.59%	7.25%
Seec Gmbh I.G.	5.95%	-
Giorgi Khmaladze	5.24%	-
Nikoloz Khmaladze	5.24%	-
Klovningen AS	4.22%	-
Enga Invest AS	3.25%	-
Hansjoerg Brokmann	-	16.28%
Total	**100%**	**100%**

For more information about the Company's share capital, refer to Note 23.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB).

The principal accounting policies adopted in the preparation of the financial statements are set in the Note 3.

BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention as modified by the initial recognition of financial instruments based on fair value and investment property subsequently measured at fair value.

The Company maintains its records and prepares financial statements in Georgian Lari (GEL) in accordance with International Financial Reporting Standards (IFRS) as required by Georgian legislation.

The reporting period for the Company is the calendar year from January 1 to December 31.The areas where significant judgments and estimates have been made in preparing the financial statements and

2. BASIS OF PREPARATION (continued)

their effect are disclosed in Note 4.

The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in the most appropriate application in applying the Company's accounting policies.

GOING CONCERN

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. The management and shareholder have the intention to further develop the business of the Company in Georgia. The management believes that the going concern assumption is appropriate for the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal accounting policies applied in the preparation of these financial statements are set out below. These policies are consistently applied to all the years presented, unless otherwise stated.

FINANCIAL INSTRUMENTS

Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, are not presented separately and are included in the carrying values of related balance sheet items.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets. The Company determines the classification of its financial assets upon initial recognition.

Fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss. They are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Held to maturity investments

Non derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Company has positive intention and ability to hold them upon maturity. The Company does not have any investments held to maturity.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available for sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities as well as corporate bonds. They are carried at fair value with changes in fair value generally recognised in other comprehensive income and accumulated in the available-for-sale reserve; Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, is recognised in profit or loss.

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve. On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss. The Company does not have any assets classified as available-for-sale.

Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(a) Financial liabilities

Financial liabilities are classified as due to Company and customer accounts. Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

(a) Offsetting

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

(b) IFRS 7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The Company has no financial assets or liabilities measured at fair value; accordingly they are not presented under the IFRS 7 fair value measurement hierarchy.

(c) Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Company considers whether a financial asset is impaired is its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- Any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- The borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the organisation obtains;
- The borrower considers bankruptcy or a financial reorganisation;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- There is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- The value of collateral significantly decreases as a result of deteriorating market conditions.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of sufficient historical loss experience and the success of recovery of overdue amounts. Historical experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently. If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to reduce the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, and all bank placements or receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents.

PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation /amortisation and recognized impairment loss, if any.

Depreciation/amortisation is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. Depreciation/amortisation is calculated on a straight line basis at the following useful lives:

Group	Useful life (year)
Buildings	50
Vehicles	7
Furniture and office equipment	7
Computer and communication equipment	4
Leasehold improvements	According to lease term
Accounting and other software	7

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTY

The company holds certain investment property for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition investment property is stated at fair value. Gains or losses arising from changes in fair values are included in the statement of comprehensive income as "gain/loss from revaluation of investment properties".

BORROWINGS

Borrowings are initially recognized at fair value. Subsequently they are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings, using the effective interest method.

TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Georgia and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rate (and laws) that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity where there is an intention to settle the balances on a net basis.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are not reflected in the financial statements, except for the cases when the outflow of economic benefits is likely to origin and the amount of such liabilities can be reliably measured. The information on contingent liabilities is disclosed in the Notes to the financial statements with the exception of cases, when the outflow of economic benefits is unlikely.

Contingent assets are not reflected in the financial statements, but the information on them is disclosed when inflow of economic benefits is possible. If economic benefits are sure to occur, an asset and related income are recognized in the financial statements for the year, when the evaluation change occurred.

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. An obligating event is an event that creates a legal or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

constructive obligation that results in an entity having no realistic alternative to settling that obligation. A legal obligation is an obligation that derives from:

- A contract (through its explicit or implicit terms);
- Legislation; or
- Other operation of law.

A constructive obligation is an obligation that derives from an entity's actions where:

- By an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
- As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

INCOME AND EXPENSE RECOGNITION

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Company to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset’s effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion.

SALARIES AND OTHER EMPLOYEE BENEFITS

Wages, salaries, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period and events before the date of financial statements authorization for issue that provide additional information about the Company’s financial statements are reported in the financial statements. Post-balance sheet events that do not affect the financial position of the Company at the balance sheet date are disclosed in the notes to the financial statements when material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’). Financial statements are presented in Georgian Lari (GEL), which is the Company’s functional and presentation currency.

Monetary assets and liabilities are translated into Company’s functional currency at the official exchange rate of the National Bank of Georgia.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into Company’s functional currency at year-end official exchange rates are recognised in the statement of comprehensive income. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Table below presents the closing exchange rates by the National Bank of Georgia As at 31 December 2014 and 2013:

	USD / GEL	EUR / GEL
Exchange rate as at 31 December 2015	2.3949	2.6169
Exchange rate as at 31 December 2014	1.8636	2.2656

ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

a) New standards, interpretations and amendments effective from 1 January 2015

None of the amendments to Standards that are effective from 1 January 2015 had a significant effect on the Company’s financial statements.

b) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Company does not anticipate that the application of these amendments will have a material impact of the Company's financial information.

IFRS 9 Financial instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The Company is currently assessing the possible impact of the new standard on its financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

ALLOWANCE FOR IMPAIRMENT OF LOANS AND RECEIVABLES

The Company regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

At the year-end management decided to review existing provisioning policy due to following reasons: The trials actually lasted more than six month; In 2015 government temporarily suspended execution process on overdue loans guaranteed by immovable property; Observation revealed that relevant departments often needed more than the six month period for negotiations with problematic customers. Because of abovementioned reasons recovery rate on overdue loans with delinquency more than six month was quite significant; at the same time those loans were provided with 100% provision. In order to ensure adequacy of existing estimates, management decided to update aging groups used for determining delinquency status of the borrower as follows:

Delinquency status	Rate in %
31 to 90 days overdue	5
91 to 180 days overdue	25
181 to 365 days overdue	50
More than 365 days overdue	100
Performing - rehabilitated loans	10

In previous year, the primary factor for estimating the collective loan impairment allowance was the delinquency status as this year, but with the following prescribed rates

Delinquency status	Rate in %
31 to 45 days overdue	5
46 to 120 days overdue	25
121 to 180 days overdue	50
More than 180 days overdue	100

If the last year's estimates were used effect would be GEL410,599 higher provision charge in profit and loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

USEFUL LIVES OF PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets are depreciated or amortised over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

INCOME TAXES

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. As a result Company minimizes the risks related to this fact. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events.

LEGAL PROCEEDINGS

The Company only recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Realization of any contingent liabilities not currently recognized or disclosed in the financial statements could have a material effect on the Company's financial position. Application of these accounting principles to legal cases requires the Company's management to make determinations about various factual and legal matters beyond its control. The Company reviews outstanding legal cases following developments in the legal proceedings and at each balance sheet date, in order to assess the need for provisions in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Company's management as to how it will respond to the litigation, claim or assessment.

5. NET INTEREST INCOME

Net interest income for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Interest income on financial assets recorded at amortized cost:		
Unimpaired loans to customers	5,798,225	4,186,416
Impaired loans to customers	457,787	102,594
Total interest income	**6,256,012**	**4,289,010**
Interest expense on financial liabilities recorded at amortized cost comprise:		
Borrowings	(2,225,465)	(1,470,249)
Subordinated borrowings	(73,166)	-
Total interest expense	**(2,298,631)**	**(1,470,249)**
Net interest income	**3,957,381**	**2,818,761**

6. PROVISION FOR LOAN IMPAIRMENT

Provision for loan impairment for the year ended 31 December 2015 can be presented as follows:

	Business loan	Consumer loan	Pawnshop loan	Agricultural installment	Total
At 1 January 2015	**(41,291)**	**(6,540)**	**(47)**	**(11,520)**	**(59,398)**
Provision for impairment during the year	(424,929)	(137,716)	-	(167,625)	**(730,270)**
Amounts written off during the year as uncollectible	194,446	20,246	47	71,430	**286,169**
Recovery of previously written off loans	(18,863)	-	-	-	**(18,863)**
At 31 December 2015	**(290,637)**	**(124,010)**	**-**	**(107,715)**	**(522,362)**
Among which:					
Collective impairment	(290,637)	(124,010)	-	(107,715)	**(522,362)**
Total provision for loan impairment	**(290,637)**	**(124,010)**	**-**	**(107,715)**	**(522,362)**

Provision for loan impairment for the year ended 31 December 2014 can be presented as follows:

	Business loan	Consumer loan	Pawnshop loan	Agricultural installment	Total
At 1 January 2014	**(78,704)**	**(14,165)**	-	**(137)**	**(93,006)**
Provision for impairment during the year	(278,704)	(45,275)	(47)	(16,279)	**(340,305)**
Amounts written off during the year as uncollectible	316,117	52,900	-	4,896	**373,913**
At 31 December 2014	**(41,291)**	**(6,540)**	**(47)**	**(11,520)**	**(59,398)**
Among which:					
Individual impairment	(11,654)	-	-	-	**(11,654)**
Collective impairment	(29,637)	(6,540)	(47)	(11,520)	**(47,744)**
Total provision for loan impairment	**(41,291)**	**(6,540)**	**(47)**	**(11,520)**	**(59,398)**

7. FEE AND COMMISSION INCOME

Fee and Commission income includes penalties on early payments and other service fees.

8. STAFF COSTS INCLUDING SALARIES AND BONUSES

Staff costs including salaries and bonuses for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Salary	2,302,605	1,154,271
Bonuses	626,678	374,321
Insurance expenses	47,113	27,644
Total staff costs including salaries and bonuses	**2,976,396**	**1,556,236**

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Operating leases	857,336	302,286
Professional services	304,769	266,051
Depreciation and amortization	233,458	98,217
Office maintenance	143,934	74,070
Provision for tax liabilities	100,000	-
Utilities	64,161	34,341
Advertising and marketing expenses	69,040	41,468
Bank fees	42,037	24,607
Communication expenses	87,393	49,562
Business trips	34,897	41,875
Stationary	33,466	40,775
Taxes other than income tax	9,541	6,706
Other	81,217	68,916
Total general and administrative expenses	**2,061,249**	**1,048,874**

10. GAIN/(LOSS) FROM EXCHANGE RATE DIFFERENCES

Gain/(loss) from exchange rate differences for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Realized foreign exchange gain	1,221,852	93,245
Unrealized foreign exchange loss/(gain)	(1,879,940)	212,150
Total loss/(gain) from exchange rate difference	**(658,088)**	**305,395**

11. INCOME TAX BENEFIT/(EXPENSE)

Income tax benefit/(expense) for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Current tax	-	(127,868)
Effect of temporary differences	(71,983)	22,861
Tax-loss carry forward	153,442	-
Income tax benefit/(expense)	**81,459**	**(105,007)**

Reconciliation of income tax benefit/(expense) based on statutory rate with actual income tax is as follows:

	2015	2014
Profit (loss) before income tax	**(1,127,003)**	**1,129,462**
Applicable tax rate	15%	15%
Theoretical income tax	169,050	(169,419)
Expenses not deductible for tax purposes/income exempt from taxation	(87,591)	64,412
Income tax benefit/(expense)	**81,459**	**(105,007)**

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2015 and 2014 can be presented as follows:

	31 December 2015	31 December 2014
Cash on hand	306,221	404,232
Cash on current accounts with banks in GEL	277,500	60,003
Cash on current accounts with banks in other currencies	898,744	3,093,790
Short-term deposits	61,836	-
Restricted cash	320,178	-
Total cash and cash equivalents	**1,864,479**	**3,558,025**

Restricted cash comprises amounts placed in JSC TBC Bank as a collateral for borrowings.

13. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss comprise foreign currency contracts with the amount of GEL117,979.

The Company enters into the agreement with local banks on providing financing in local currency with guarantee of foreign currency deposits placed at the same banks. All transactions related to back to back loans are aggregated and presented as derivative instruments resulting recognition of fair value of instruments in the statement of financial position with relevant effect in profit/loss.

14. LOANS TO CUSTOMERS

Loans to customers as at 31 December 2015 and 2014 can be presented as follows:

	31 December 2015	31 December 2014
Originated loans to customers	23,365,780	14,481,903
Accrued interest	784,859	395,324
Gross loans to customers	**24,150,639**	**14,877,227**
Less: allowance for impairment losses	(522,362)	(59,398)
Total loans to customers	**23,628,277**	**14,817,829**

Loans are issued at maximal amount of GEL 50,000 to customers in Georgia.

Analysis by loan type is as follows:	31 December 2015	31 December 2014
Business loan	12,818,875	11,049,550
Consumer loan	3,012,206	2,134,233
Agricultural installment	7,706,132	1,332,183
Pawnshop loan	613,426	361,261
Gross loans to customers	**24,150,639**	**14,877,227**
Less: allowance for impairment losses	(522,362)	(59,398)
Total loans to customers	**23,628,277**	**14,817,829**

Information about movements in provision for loan impairment is given in Note 6.

Currency and maturity analysis of loans to customers is given in Note 25.

14. LOANS TO CUSTOMERS (continued)

Analysis by credit quality of loans outstanding at 31 December 2015 is as follows:

	Business loan	Consumer loan	Pawnshop loan	Agricultural installment	Total
Current and not impaired	11,535,945	2,537,895	601,757	7,061,272	**21,736,869**
Past due but not impaired - Fully secured loans	203,629	-	11,669	75,982	**291,280**
Loans determined to be collective impaired:					
Performing - rehabilitated loans	454,613	183,977	-	225,313	**863,903**
31-90 days overdue	128,827	48,260	-	84,715	**261,802**
91-180 days overdue	127,342	73,175	-	67,597	**268,114**
181-365 days overdue	162,286	121,641	-	110,992	**394,919**
More than 365 days	206,233	47,258	-	80,261	**333,752**
Gross loans to customers	**12,818,875**	**3,012,206**	**613,426**	**7,706,132**	**24,150,639**
Less impairment provisions	(290,637)	(124,010)	-	(107,715)	**(522,362)**
Total Loans to customers	**12,528,238**	**2,888,196**	**613,426**	**7,598,417**	**23,628,277**

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

	Business loan	Consumer loan	Pawnshop loan	Agricultural installment	Total
Current and not impaired	9,754,625	2,010,612	356,627	1,307,330	**13,429,194**
Past due but not impaired	1,047,241	98,489	2,715	24,854	**1,173,299**
Loans individually determined to be impaired	45,324	5,032	-	-	**50,356**
Loans determined to be collective impaired:					
31-45 days overdue	41,586	701	-	-	**42,287**
46-120 days overdue	75,780	5,165	188	-	**81,133**
121-180 days overdue	33,273	2,666	-	-	**35,939**
More than 180 days	51,719	11,568	1,732	-	**65,019**
Gross loans to customers	**11,049,548**	**2,134,233**	**361,262**	**1,332,184**	**14,877,227**
Less impairment provisions	(41,291)	(6,540)	(47)	(11,520)	**(59,398)**
Total Loans to customers	**11,008,257**	**2,127,693**	**361,215**	**1,320,664**	**14,817,829**

15. INVESTMENT PROPERTY

Investment property as at 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Balance at beginning of year	**927,011**	**526,160**
Additions	254,736	29,210
Disposals	(94,546)	(90,883)
Gain on revaluation of investment property	464,238	462,524
Balance at the end of year	**1,551,439**	**927,011**

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined by an external valuer who is an industry specialist in valuing such kind of property. Observable market prices are used for valuation and if necessary relevant adjustments are made for any difference in the nature, location or condition of the specific asset under valuation. Changes in fair value are recognized as profit or loss.

The Company has not received any rental income from investment properties.

Investment properties are pledged as collateral for borrowings from TBC bank.

16. PROPERTY AND EQUIPMENT

Property and equipment as at 31 December 2015 and 2014 can be presented as follows:

Historical cost	Leasehold improvements	Buildings	Furniture and office equipment	Computer and communication equipment	Vehicles	Total
Historical cost 01.01.2014	**-**	**403,068**	**179,704**	**171,668**	**72,853**	**827,293**
Additions	52,464	-	229,619	149,906	16,792	**448,781**
Disposals	-	(403,068)	-	-	-	**(403,068)**
Historical cost 31.12.2014	**52,464**	**-**	**409,323**	**321,574**	**89,645**	**873,006**
Additions	118,740	-	170,440	417,177	49,561	**755,918**
Disposals	-	-	(760)	-	-	**(760)**
Historical cost 31.12.2015	**171,204**	**-**	**579,003**	**738,751**	**139,206**	**1,628,164**
Accumulated depreciation						
Accumulated depreciation 01.01.2014	**-**	**(35,883)**	**(76,105)**	**(86,041)**	**(8,643)**	**(206,672)**
Depreciation for the year	(3,877)	(8,061)	(39,315)	(36,895)	(5,300)	**(93,448)**
Accumulated depreciation of disposals 2014	-	43,944	-	-	-	**43,944**
Accumulated depreciation 31.12.2014	**(3,877)**	**-**	**(115,420)**	**(122,936)**	**(13,943)**	**(256,176)**
Depreciation for the year	(15,265)	-	(73,131)	(127,177)	(7,740)	**(223,313)**
Accumulated depreciation of disposals 2015	-	-	190	-	-	**190**
Accumulated depreciation 31.12.2015	**(19,142)**	**-**	**(188,361)**	**(250,113)**	**(21,683)**	**(479,299)**
Net book value						
Net book value 31.12. 2014	**48,587**	**-**	**293,903**	**198,638**	**75,702**	**616,830**
Net book value 31.12. 2015	**152,062**	**-**	**390,642**	**488,638**	**117,523**	**1,148,865**

17. INTANGIBLE ASSETS

Intangible assets as at 31 December 2015 and 2014 can be presented as follows:

Historical cost	Accounting and other software	Other intangible assets	Total
Historical cost 01.01.2014	**50,780**	**19,073**	**69,853**
Additions	19,095	10,060	**29,155**
Disposals	-	-	-
Historical cost 31.12.2014	**69,875**	**29,133**	**99,008**
Additions	5,264	-	**5,264**
Disposals	-	-	-
Historical cost 31.12.2015	**75,139**	**29,133**	**104,272**
Accumulated amortization			
Accumulated amortization 01.01.2014	**(19,217)**	**(4,737)**	**(23,954)**
Amortization 2014	(3,069)	(1,700)	**(4,769)**
Accumulated amortization of disposals 2014	-	-	-
Accumulated amortization 31.12.2014	**(22,286)**	**(6,437)**	**(28,723)**
Amortization 2015	(8,430)	(1,715)	**(10,145)**
Accumulated amortization of disposals 2015	-	-	-
Accumulated amortization 31.12.2015	**(30,716)**	**(8,152)**	**(38,868)**
Net book value			
Net book value 31.12. 2014	**47,589**	**22,696**	**70,285**
Net book value 31.12. 2015	**44,423**	**20,981**	**65,404**

18. OTHER ASSETS

Other assets as at 31 December 2015 and 2014 can be presented as follows:

	31 DECEMBER 2015	31 DECEMBER 2014
Prepayments	262,448	180,369
Tax assets	-	23,889
Other	2,670	650
Total	**265,118**	**204,908**

19. DEFERRED INCOME TAX ASSET/(LIABILITY)

Deferred income tax as at 31 December 2015 and 2014 can be presented as follows:

	31 DECEMBER 2015	31 DECEMBER 2014
At 1 January	(43,610)	(66,471)
Recognized in profit and loss		
Income tax benefit	81,459	22,861
At 31 December	**37,849**	**(43,610)**

Temporary differences at a rate of 15% as at 31 December 2015 can be presented as follows:

	Asset	Liability	Net	(Charged)/ credited to profit or loss
	2015	**2015**	**2015**	**2015**
Property and equipment	-	(142,418)	**(142,418)**	(49,893)
Investment property	-	(98,279)	**(98,279)**	(57,284)
Loans to customers	85,778	-	**85,778**	39,238
Other assets	-	-	**-**	(4,665)
Borrowings	45,902	-	**45,902**	11,309
Other liabilities	-	(6,576)	**(6,576)**	(10,688)
Tax-loss carry forward	153,442	-	**153,442**	153,442
Tax asset/(liabilities)	**285,122**	**(247,273)**	**37,849**	**81,459**
Set off of tax	(247,273)	247,273		
Net tax assets/(liabilities)	**37,849**	**-**	**37,849**	**81,459**

Temporary differences at a rate of 15% as at 31 December 2014 can be presented as follows:

	Asset	Liability	Net	(Charged)/ credited to profit or loss
	2014	**2014**	**2014**	**2014**
Property and equipment	-	(92,525)	**(92,525)**	(3,660)
Investment property	-	(40,995)	**(40,995)**	7,402
Loans to customers	46,540	-	**46,540**	2,907
Other assets	4,665	-	**4,665**	3,616
Borrowings	34,593	-	**34,593**	11,437
Other liabilities	4,112	-	**4,112**	1,159
Tax asset/(liabilities)	**89,910**	**(133,520)**	**(43,610)**	**22,861**
Set off of tax	(89,910)	89,910	-	-
Net tax assets/(liabilities)	**-**	**(43,610)**	**(43,610)**	**22,861**

20. BORROWINGS

Borrowings as at 31 December 2015 and 2014 can be presented as follows:

BORROWER	INTEREST RATE	CURRENCY	31 DECEMBER 2015	31 DECEMBER 2014
JSC TBC Bank	8-14%	GEL	2,058,040	625,085
Other	6-17%	GEL-USD-EUR	22,636,826	16,187,851
Total			**24,694,866**	**16,812,936**

*Other includes borrowings from resident and nonresident individuals.

Current and non-current portions of borrowings as at 31 December 2015 and 2014 can be presented as follows:

	31 DECEMBER 2015	31 DECEMBER 2014
Current	15,105,266	9,978,995
Non-current	9,589,600	6,833,941
Total borrowings	**24,694,866**	**16,812,936**

Accrued interest and principal balances as at 31 December 2015 and 2014 can be presented as follows:

	31 DECEMBER 2015	31 DECEMBER 2014
Principal balance	24,394,498	16,582,314
Accrued interest	300,368	230,622
Total borrowings	**24,694,866**	**16,812,936**

Currency and maturity analysis of borrowings is given in Note 25.

As of 31 December 2015 the Company satisfies the covenants stipulated in the loan agreements with its lenders, except for covenant #6. Covenants principally comprised of the following:

	Limit	31 December 2015 Ratio
1.Average NPL30/Average gross loan portfolio	Max 5%	1.05
2.Average NPL30+rescheduled loans/Average gross loan portfolio	Max 5%	1.22
3.Write off Ratio	Max 3%	0.36%
4.Equity to assets ratio	Min 12.5%	13.30%
5.Liquidity surplus ratio	Min 0%	10.96%
6.Adjusted equity to assets ratio	Min 12.5%	11.24%
7.PAR30+restructured ratio	Max 5%	3.65%
8.Combined ratio of PAR30, restructured loans da written off loans	Max 8%	6.97%
9.Current ratio	Min 1.5	2.08

However, it should be noted that the management calculates Ratios #7 and #8 with the assumption not to include neither in PAR30 nor in rescheduled loans receivables with “technically” overdue status for more than 30 days, currently having positive and stable cash flows as agreed with customer.

21. SUBORDINATED BORROWINGS

The Company's subordinated borrowings are denominated in USD and their equivalent value is GEL 958,579 as at 31 December 2015. Interest rate on these borrowings is 14%. They mature from January to March 2016. After their maturity the Company made a prolongation of additional 5 years on these borrowings.

In the event of a bankruptcy principal payments as well as interest payments rank junior to any claim senior creditors are entitled to. The payments shall rank pari passu among subordinated debts and to other claims of junior creditors but remain senior to equity.

22. OTHER LIABILITIES

Other liabilities as at 31 December 2015 and 2014 can be presented as follows:

	31 DECEMBER 2015	31 DECEMBER 2014
Provisions for tax liabilities	100,000	-
Accounts payable to employees	59,192	27,414
Tax payables	39,085	40,390
Payable related to portfolio purchase	12,887	-
Received advances	7,244	-
Other accounts payable	50,788	26,281
Total	**269,196**	**94,085**

* Provisions for tax liabilities are related to tax compliance checks performed by Revenue Service of Georgia. The provision represents the management‘s best estimate of the future outflow of economic benefits that may be required to settle future tax claims that may arise as a result of the Organization‘s uncertain tax positions.

Provisions are recorded for certain tax positions that are determined by the management as more likely than not to result in additional taxes being levied by the tax authorities. The assessment is based on interpretation of the tax laws that have been enacted or substantively enacted by the end of the reporting period. The exact timing of outflow is dependent on that of the date of clearance of relevant tax issues.

23. SHARE CAPITAL AND SHARE PREMIUM

Organization’s share capital as at 31 December 2015 and 2014 comprises of 935,546 and 850,546 ordinary shares in issue with a value of GEL 1 each, respectively. On 4 December 2015 the Company issued 85,000 common shares with a nominal value of GEL 1 per share. Placement price was defined as GEL 7.91 per share and total authorized and placed capital for 31 December 2015 totalled 935,526 shares. Cash received from share issue was GEL102,024 and part of the Company’s borrowings with amount of GEL570,326 were converted into capital.

Information about Company’s shareholders is presented in Note 1.

24. CONTINGENCIES AND COMMITMENTS

LITIGATION

In the ordinary course of business, Companies are usually subject to legal actions and complaints. Following the Company's customers' failure to meet repayment obligations the Company is involved in legal disputes against such customers. The highest possible outcome from such legal disputes is the amount of loan from such customers (including accrued interest and charges). As it is not certain that all the customers will meet the repayment obligations, the Company recognises provision for impairment for such loans to customers. See Notes 15 and 6 for more information.

TAX LEGISLATION

Georgian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. As per currently effective tax legislation in Georgia fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the period of review. The Company's management believes that Georgian tax legislation does not give raise to any further obligation other than already recorded and the Company's tax positions will be sustained.

OPERATING LEASE COMMITMENTS

At 31 December 2015 and 2014 the Company operated 16 and nine branches respectively. All of them are leased from various parties under operating leases. At year-end, the Company had outstanding commitments under non-cancellable operating leases that fall due as follows:

	31 December 2015	31 December 2014
Up to 1 month	80,697	14,443
1 month to 3 months	161,394	25,159
3 months to 1 year	685,641	96,441
Between 1 and 2 years	885,023	128,588
Between 2 and 5 years	1,178,075	385,765
Financial commitments and contingencies, net	**2,990,830**	**650,396**

During the year ended 31 December 2015 and 2014 GEL857,336 and GEL302,286 respectively were recognised as expense in the statement of comprehensive income in respect of operating leases.

25. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

As a financial institution, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

PRINCIPAL FINANCIAL INSTRUMENTS

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash at bank;
- Loans to customers (with fixed interest rates);
- Borrowings (with fixed interest rates);

Financial assets and financial liabilities that are liquid or have a short term maturity it is assumed that the carrying amounts approximate to their fair value.

GENERAL OBJECTIVES, POLICIES AND PROCESSES

The Supervisory Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The Supervisory Board and appropriate committees receive monthly reports from the Company Managers through which they review the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's internal auditor also reviews the risk management policies and processes and reports its findings to the management.

The overall objective of the Supervisory Board is to set polices that seek to reduce risks as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

- Credit risk
- Liquidity risk
- Market risk:
  - Currency risk
  - Interest rate risk

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of lending and other transactions with counterparties giving rise to financial assets.

The main business of the Company is to provide micro-loans. Respectively credit risk is of crucial importance in the Company's risk management. To avoid significant financial damage caused by this the Company uses various methods to identify and manage effectively the credit risks.

Based on experience the Company uses an established credit policy which establishes the following basic stages of credit risk management:

25. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

- Tasks of the Credit Committee
- Monitoring of issued loans
- Ways of working on delinquent loans.

The Credit Committee is the body responsible for analyzing the information contained in loan applications and assessing and reducing the credit risks as far as possible. The Committee is an independent body authorized to make the final decision about approving or rejecting a loan application.

Accuracy and correctness of information presented to the Committee is the responsibility of the credit officer, who fills in the initial application after due scrutiny of the applicant's business and its credit risks. Committee members assess the application against established criteria (applicant's credit history, financial condition, competitive ability, etc.) and will frequently ask the credit officer for more information about the applicant before making a decision.

Mitigation of credit risk is also achieved in some cases through securing loan with real estate or other material assets.

Assessment of the applicant's creditworthiness through careful analysis of its business reduces the risk of financial loss. Monitoring is performed by credit officers who report the results to the management. The Company does not maintain a strictly determined schedule for monitoring.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
Cash and cash equivalents (excluding cash on hand)	12	1,558,258	3,153,793
Loans to customers	14	23,628,277	14,817,829
Total credit risk exposure		**25,186,535**	**17,971,622**

The Company's credit department reviews ageing analysis of outstanding loans and takes action to recover past due balances. Management therefore considers it to be appropriate to provide ageing and other information about credit risk as disclosed in Note 14.

MARKET RISK

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors.

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk).

- INTEREST RATE RISK

The interest rate risk is the risk, arising from changes in interest rates during the life of a financial instrument. The Company extends all loans at fixed interest rates, all borrowings are also obtained at fixed interest rates.

25. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

- CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates, which can have adverse effects if there are mismatches by currency of financial assets and liabilities. The Company is exposed to the risks of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to foreign currency exchange rate risk as at 31 December 2015 is presented in the table below:

Financial assets	Note	GEL	USD	EUR	Total at 31 December 2015
Cash and cash equivalents	12	439,548	1,099,515	325,416	**1,864,479**
Loans to customers	14	10,010,877	13,575,082	42,318	**23,628,277**
Total financial assets		**10,450,425**	**14,674,597**	**367,734**	**25,492,756**
Financial liabilities					
Borrowings	20	2,136,198	19,349,960	3,208,708	**24,694,866**
Subordinated borrowings	21	-	958,579	-	**958,579**
Other liabilities	22	269,196	-	-	**269,196**
Total financial liabilities		**2,405,394**	**20,308,539**	**3,208,708**	**25,922,641**
Open balance sheet position		**8,045,031**	**(5,633,942)**	**(2,840,974)**	

The Company's exposure to foreign currency exchange rate risk as at 31 December 2014 is presented in the table below:

Financial assets	Note	GEL	USD	EUR	Total at 31 December 2014
Cash and cash equivalents	12	155,944	3,340,538	61,543	**3,558,025**
Loans to customers	14	3,329,227	11,486,937	1,665	**14,817,829**
Total financial assets		**3,485,171**	**14,827,475**	**63,208**	**18,375,854**
Financial liabilities					
Borrowings	20	651,920	13,442,427	2,718,589	**16,812,936**
Other liabilities	22	53,695	-	-	**53,695**
Total financial liabilities		**705,615**	**13,442,427**	**2,718,589**	**16,866,631**
Open balance sheet position		**2,779,556**	**1,385,048**	**(2,655,381)**	

25. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

The following table details the Company's sensitivity to a 30% increase and 30% decrease in the exchange rate of GEL per USD and per EUR. 30% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 30% change in foreign currency exchange rates.

Impact on net profit and equity based on asset values as at 31 December 2015 and 2014:

	31 December 2015		31 December 2014	
Currency rate sensitivity	**+30%**	**-30%**	**+30%**	**-30%**
USD impact	(1,690,183)	1,690,183	415,514	(415,514)
EUR impact	(852,292)	852,292	(796,614)	796,614
Total net impact	**(2,542,475)**	**2,542,475**	**(381,100)**	**381,100**

LIQUIDITY RISK

Liquidity risk refers to the availability of sufficient funds to meet loan repayments and other financial commitments associated with financial instruments as they actually fall due.

The Management board controls these types of risks by means of maturity analysis, determining the Company's strategy for the next financial period.

In order to manage liquidity risk, the Company performs regular monitoring of future expected cash flows, which is a part of Company's asset and liability management process.

An analysis of the liquidity risk is presented in the following table. The presentation below is based upon the information provided by key management personnel of the Company.

Liquidity of Financial assets and liabilities as at 31 December 2015 can be presented as follows:

Financial assets	Note	Up to 1 month	1 month to 3 months	3 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total at 31 December 2015
Cash and cash equivalents	12	1,864,479	-	-	-	-	**1,864,479**
Loans to customers	14	858,765	777,679	6,668,252	7,089,577	8,234,004	**23,628,277**
Total financial assets		**2,723,244**	**777,679**	**6,668,252**	**7,089,577**	**8,234,004**	**25,492,756**
Financial liabilities							
Borrowings	20	797,188	1,358,555	12,949,523	9,589,600	-	**24,694,866**
Subordinated borrowings	21	502,175	456,404	-	-	-	**958,579**
Other liabilities	22	72,079	-	-	-	-	**72,079**
Total financial liabilities		**1,371,442**	**1,814,959**	**12,949,523**	**9,589,600**	**-**	**25,725,524**
Lease commitments	24	80,697	161,394	685,641	885,023	1,178,075	**2,990,830**
Liquidity gap		**1,271,105**	**(1,198,674)**	**(6,966,912)**	**(3,385,046)**	**7,055,929**	**(3,223,598)**
Cumulative liquidity gap		**1,271,105**	**72,431**	**(6,894,481)**	**(10,279,527)**	**(3,223,598)**	

25. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

Liquidity of Financial assets and liabilities as at 31 December 2014 can be presented as follows:

Financial assets	Note	Up to 1 month	1 month to 3 months	3 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total at 31 December 2014
Cash and cash equivalents	12	3,558,025	-	-		-	**3,558,025**
Loans to customers	14	590,377	569,684	3,782,824	4,993,677	4,881,267	**14,817,829**
Total financial assets		**4,148,402**	**569,684**	**3,782,824**	**4,993,677**	**4,881,267**	**18,375,854**
Financial liabilities							
Borrowings	20	493,242	1,734,125	7,716,787	4,063,962	2,804,820	**16,812,936**
Other liabilities	22	27,414	26,281	-	-	-	**53,695**
Total financial liabilities		**520,656**	**1,760,406**	**7,716,787**	**4,063,962**	**2,804,820**	**16,866,631**
Lease commitments	24	14,443	25,159	96,441	128,588	385,765	**650,396**
Liquidity gap		**3,613,303**	**(1,215,881)**	**(4,030,404)**	**801,127**	**1,690,682**	**858,827**
Cumulative liquidity gap		**3,613,303**	**2,397,422**	**(1,632,982)**	**(831,855)**	**858,827**	

CAPITAL DISCLOSURES

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;
- To comply with the capital requirements set by NBG and borrowers; 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 capital distributed to shareholders, return capital to shareholders, increase its capital, or sell assets to reduce debt.

	31 December 2015	31 December 2014
Borrowings	25,653,445	16,812,936
Less: cash and cash equivalents	(1,864,479)	(3,558,025)
Net debt	**23,788,966**	**13,254,911**
Total equity	**2,870,362**	**3,243,556**
Debt to equity ratio (%)	**829%**	**409%**

26. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives them significant influence over the Company; or that have joint control over the Company;

b) Members of key management personnel of the Company or its parent;

c) Close members of the family of any individuals referred to in (a) or (b);

d) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Company and related parties are disclosed below.

Related party balances and transactions as and for the year ended 31 December 2015:

Financial statement caption	Note	Shareholders	Key management personnel	Other related parties	Total as per the financial statements caption
Borrowings	20	2,135	-	4,409,989	**24,694,866**
Subordinated borrowings	21	242,062	-	716,517	**958,579**
Interest expense	5	31,049	-	463,309	**2,298,631**
Staff costs including salaries and bonuses	8	-	410,835	-	**2,976,396**

Related party balances and transactions as and for the year ended 31 December 2014:

Financial statement caption	Note	Shareholders	Key management personnel	Other related parties	Total as per the financial statements caption
Borrowings	20	1,108,262	-	2,898,197	**16,812,936**
Interest expense	5	30,868	-	108,823	**1,470,249**
Staff costs including salaries and bonuses	8	-	252,574	-	**1,556,236**

27. EVENTS AFTER THE REPORTING PERIOD

The following post balance sheet events occurred in the Company:

- In May 2016, the Company's share capital was increased with GEL600,000. The amount was fully paid.
- The Company's subordinated borrowings mature from 2016 January to 2016 March. After their maturity the Company made a prolongation of additional 5 years on these borrowings.