JSC Microfinance Organization Crystal

Financial Statements

for the year ended 31 December 2015

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Auditors' Report

To the Shareholders and the Executive Board

JSC Microfinance Organization Crystal

We have audited the accompanying financial statements of JSC Microfinance Organization Crystal (the "Company"), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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.

Opinion

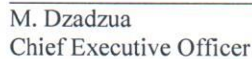
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Georgia LLC

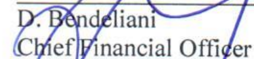
KPMG Georgia LLC
13 May 2016

	Notes	2015 GEL'000	2014 GEL'000
Interest income	4	30,143	19,637
Interest expense	4	(7,718)	(4,724)
Net interest income		**22,425**	**14,913**
Loan impairment charge, net	11	(1,729)	(1,033)
Net interest income after provision for loan impairment		**20,696**	**13,880**
Fee and commission income		1,118	632
Net gain on financial instruments at fair value through profit or loss	10	6,772	842
Net foreign exchange loss		(7,934)	(1,386)
Other income	5	712	397
Personnel expenses	6	(8,444)	(5,647)
Depreciation and amortization expenses	12,13	(1,311)	(909)
Other operating and general administrative expenses	7	(5,350)	(3,743)
Profit before income tax		**6,259**	**4,066**
Income tax expense	8	(1,048)	(570)
Profit and total comprehensive income for the year		**5,211**	**3,496**

The financial statements as set out on pages 5 to 43 were approved by management on 13 May 2016 and were signed on its behalf by:



M. Dzadzua
Chief Executive Officer



D. Bendeliani
Chief Financial Officer

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

	Notes	2015 GEL'000	2014 GEL'000
ASSETS			
Cash and cash equivalents	9	4,654	6,320
Term deposit		100	-
Financial instruments at fair value through profit or loss	10	4,238	1,742
Loans to customers:	11		
Principal		103,032	69,674
Interest accrued		2,091	1,443
Property and equipment	12	3,538	2,726
Intangible assets	13	1,199	893
Deferred tax assets	8	1,049	533
Other assets	14	1,285	900
Total assets		**121,186**	**84,231**
LIABILITIES			
Loans and Borrowings:	15		
Principal		96,289	66,530
Interest accrued		1,677	1,017
Current tax liability		512	351
Other liabilities	16	1,047	371
Total liabilities		**99,525**	**68,269**
EQUITY			
Share capital	17	2,208	2,208
Share premium		2,631	2,631
Share based payment reserve		488	-
Retained earnings		16,334	11,123
Total equity		**21,661**	**15,962**
Total liabilities and equity		**121,186**	**84,231**

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

	Note	2015 GEL'000	2014 GEL'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		6,259	4,066
Adjustments for:			
Net gain on financial instruments at fair value through profit or loss		(6,772)	(842)
Depreciation and amortization		1,311	909
Interest income		(30,143)	(19,637)
Interest expenses		7,718	4,724
Loan impairment charge		1,729	1,033
Loss from foreign exchange		7,934	1,386
Loss on disposal of property and equipment		9	14
Equity settled share-based payments		488	-
Cash outflows from operating activities before changes in operating assets and liabilities		**(11,467)**	**(8,347)**
Changes in:			
Increase in financial instruments at fair value through profit or loss		4,276	(549)
Increase in loans to customers		(28,228)	(25,589)
Increase in other assets		(417)	(132)
Increase in other liabilities		147	(87)
Increase in term deposits		(100)	-
Cash used in operating activities		**(35,789)**	**(34,704)**
Interest received		29,605	19,034
Interest paid		(7,187)	(3,911)
Income tax paid		(1,403)	(563)
Cash used in operations		**(14,774)**	**(20,144)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(1,412)	(1,758)
Purchases of intangible assets		(482)	(181)
Cash used in investing activities		**(1,894)**	**(1,939)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from loans and borrowings		61,268	46,143
Repayment of loans and borrowings		(48,401)	(19,291)
Dividends paid		-	(173)
Cash flows from financing activities		**12,867**	**26,679**
Net (decrease) increase in cash and cash equivalents		**(3,801)**	**4,596**
Effect of changes in exchange rates on cash and cash equivalents		2,135	380
Cash and cash equivalents as at the beginning of the year		6,320	1,344
Cash and cash equivalents as at the end of the year	9	**4,654**	**6,320**

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

GEL '000	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
Balance as at 1 January 2014	2,179	2,660	-	7,808	12,647
Profit and total comprehensive income for the year	-	-	-	3,496	3,496
Transactions with shareholders, recorded directly in equity					
Issue of ordinary shares	20	(20)	-	-	-
Issue of preference shares	9	(9)	-	-	-
Dividends	-	-	-	(181)	(181)
Total transactions with shareholders	**29**	**(29)**	**-**	**(181)**	**(181)**
Balance as at 31 December 2014	**2,208**	**2,631**	**-**	**11,123**	**15,962**
Balance as at 1 January 2015	2,208	2,631	-	11,123	15,962
Profit and total comprehensive income for the year	-	-	-	5,211	5,211
Transactions with shareholders , recorded directly in equity					
Equity settled share-based payment	-	-	488	-	488
Total transactions with shareholders	**-**	**-**	**488**	**-**	**488**
Balance as at 31 December 2015	**2,208**	**2,631**	**488**	**16,334**	**21,661**

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

1 Background

(a) Organization and operations

JSC Microfinance Organization Crystal ("the Company") was established on 23 August 2007 on the basis of the decision of the Crystal Fund (Board's Resolution #20, 21 August 2007) according to the Georgian Law on Microfinance Organizations dated 18 July 2006.

The legal address of the Company is 72 Tamar Mepe Street, Kutaisi, 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 Board of Directors appointed by the Supervisory Board.

The Company objectives are to support and develop micro, small and medium businesses in Georgia, to improve the social and economic conditions of clients by providing them with accessible financial services.

The main activity of the Company is micro lending. The Company's financial products are: individual business loans, agro loans, consumer loans, pawnshop loans, housing loans, company loans, etc.

The Company has thirty-one branches around Georgia and the head office is located in Kutaisi.

The Company's parent and ultimate controlling party with 73.18% of the voting rights is Crystal Fund. Related party transactions are described in detail in note 21.

(b) Georgian business environment

The Company's operations are located in Georgia. Consequently, the Company is exposed to the economic and financial markets of Georgia, which display 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 financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss.

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- loan impairment estimates - note 11;
- classification of loans in local currency collateralized by deposits in foreign currency as derivatives - currency contracts – note 10 (a);
- estimates of fair values of financial assets and liabilities – note 23.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements

(a) Foreign currency

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

(b) Cash and cash equivalents

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

(c) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Company may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Group has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

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

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

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

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

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

(ii) Recognition

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

(iii) Measurement

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

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on 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 amortisation 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

When there is no quoted price in an active market, the Company uses valuation techniques that 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 Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is 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

A gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss

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

(vii) Derecognition

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

The Company writes off assets deemed to be uncollectible.

(viii) Derivative financial instruments

Derivative financial instruments include foreign currency contracts.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Although the Company has derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(ix) Offsetting

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

(d) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

- buildings	30 years
- vehicles	5 years
- furniture	3 to 6 years
- IT equipment	3 to 6 years
- leasehold improvements	3 to 5 years
- other	2 to 6 years

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

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

(iii) Subsequent expenditure

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the entity, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(e) Intangible assets

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

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

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

(f) Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or Company of financial assets is impaired. If any such evidence exists, the Company 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 Company of financial assets that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a Company of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

(i) Financial assets carried at amortized cost

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

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

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

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

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

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

(ii) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is 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 amortisation, if no impairment loss had been recognized.

(g) Share capital and reserves

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(ii) Preference share capital

Preference share capital that is non-redeemable is classified as equity.

(iii) Share premium

When share capital is increased, any difference between the registered amount of share capital and the fair value of actual consideration received is recognized as share premium.

(iv) Share based payment reserve

The share-based payment transaction is recognized as an increase in the share based payment reserve.

(v) Dividends

The ability of the Company to declare and pay dividends is subject to the rules and regulations of the Georgian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(h) Taxation

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

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

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

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

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

Deferred tax assets are 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.

(i) 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.

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.

(j) Employee benefits

(i) Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-base payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for the differences between expected and actual outcomes.

(ii) Short-term employee benefits

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

(k) 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 2015, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Company plans to adopt these pronouncements when they become effective.

- IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding 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 Company recognizes that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the financial statements. The Company has not analyzed the impact of these changes yet. The Company 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 2014. The Company has not yet analyzed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2015	**2014**
	GEL'000	**GEL'000**
Interest income		
Loans to customers	30,054	19,594
Cash and cash equivalents	89	43
	30,143	**19,637**
Interest expenses		
Loans and borrowings	**(7,718)**	**(4,724)**
	22,425	**14,913**

Included within various line items under interest income for the year ended 31 December 2015 is a total of GEL 216 thousand (2014: GEL 420 thousand) accrued on impaired financial assets.

5 Other income

	2015	2014
	GEL'000	GEL'000
Income from penalties	671	394
Other income	41	3
	712	**397**

6 Personnel expenses

	2015	2014
	GEL'000	GEL'000
Salaries and other benefits	7,624	5,647
Equity settled share-based payments	488	-
Expenses related to Management Incentive Plan	332	-
	8,444	**5,647**

Management Incentive Plan, share based payments

On 24 July 2015 Supervisory Board approved Management Incentive Plan for 2015 ("MIP"). The purpose of the MIP was to increase motivation and incentivize the Company's management executive team in order to deliver the equity growth strategy, foster and safeguard the interest of the Company, its shareholders and a wider group of stakeholders. The remuneration package of the MIP included performance-based incentive pool which was divided into the cash payments (50% of the incentive pool) and equity settled share-based payment (50% of the incentive pool).

Main conditions determined in the MIP is to meet the Company's wide targets for the ratios, for example: gross loan provision, portfolio at risk (PAR)>30, return on assets (ROA), return on equity (ROE), etc.

Per the management's estimates based on the 2015 results, conditions set in the MIP were fulfilled, and as at 31 December 2015 the Company recognized 50% of the incentive pool (to be settled in cash) as a liability to the management executive team. The remaining 50% of the incentive pool (to be settled in shares) used to determine the number of ordinary shares to be settled: by dividing the 50% of the pool to a share value; where the value of each share was determined by dividing carrying value of total equity to total number of the Company's registered shares as at 31 December 2015.

As at 31 December 2015 fair value of the shares to be settles as share-based payment was GEL 488 thousand (2014: nil) comprising 41,480 ordinary shares. The fair value of the shares approximates the price at which shares of the Company were sold on an arm's length transaction in 2015 (see note 17(a)). The share-based payment transaction is recognized as an increase in the share based payment reserve in the statement of changes in equity as at 31 December 2015.

7 Other general administrative expenses

	2015	2014
	GEL'000	GEL'000
Operating lease rentals	1,800	1,139
Utilities and communication	544	415
Marketing and advertising	401	302
Consumables and office supplies	388	324
Fuel	338	230
Membership fees	301	185
Legal and other professional services	217	172
Bank charges	181	153
Personnel training and recruitment	165	143
Security	135	79
Business trips	125	75
Repairs and maintenance	107	74
Insurance	97	72
Taxes other than on income	96	71
Charity	77	46
Loss on disposal of property and equipment and intangible assets	9	14
Other	369	249
	5,350	**3,743**

8 Taxation

	2015	2014
	GEL'000	GEL'000
Current year tax expense	1,402	876
Current tax expense under provided in prior years	162	-
	1,564	**876**
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(516)	(306)
Total income tax expense	**1,048**	**570**

In 2015, the applicable tax rate for current and deferred tax is 15% (2014: 15%).

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

	2015 GEL'000	%	2014 GEL'000	%
Profit before tax	**6,259**		**4,066**	
Income tax at the applicable tax rate	939	15	610	15
Under provided in prior years	162	3	-	-
Non-taxable income	(53)	(1)	(40)	(1)
	1,048	**17**	**570**	**14**

(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 2015 and 2014.

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

Movements in temporary differences during the years ended 31 December 2015 and 2014 are presented as follows.

GEL'000	Balance 1 January 2015	Recognized in profit or loss	Balance 31 December 2015
Loans to customers	477	278	755
Property and equipment	(10)	26	16
Intangible assets	(15)	(12)	(27)
Loans and borrowings	58	97	155
Other liabilities	23	54	77
Share-based payment transaction	-	73	73
	533	**516**	**1,049**

GEL'000	Balance 1 January 2014	Recognized in profit or loss	Balance 31 December 2014
Loans to customers	216	261	477
Property and Equipment	3	(13)	(10)
Intangible assets	(13)	(2)	(15)
Loans and borrowings	-	58	58
Other liabilities	21	2	23
	227	**306**	**533**

(b) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 GEL	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Loans to customers	755	477	-	-	755	477
Property and equipment	16	-	-	(10)	16	(10)
Intangible assets	-	-	(27)	(15)	(27)	(15)
Loans and borrowings	155	58	-	-	155	58
Other liabilities	77	23	-	-	77	23
Share-based payment transaction	73	-	-	-	73	-
Net tax assets/(liabilities)	**1,076**	**558**	**(27)**	**(25)**	**1,049**	**533**

9 Cash and cash equivalents

	2015 GEL'000	**2014 GEL'000**
Cash on hand	2,615	3,123
Bank balances	2,039	3,197
Total cash and cash equivalents	**4,654**	**6,320**

No cash and cash equivalents are impaired or past due.

As at 31 December 2015 the majority of the Company's cash in banks is with banks rated by Fitch as B (short-term rating), BB- (long-term rating).

10 Financial instruments at fair value through profit or loss

	2015 GEL'000	**2014 GEL'000**
ASSETS		
Derivative financial instruments	4,238	1,742
Foreign currency contracts	**4,238**	**1,742**

Financial instruments at fair value through profit or loss comprise foreign currency contracts.

No financial assets at fair value through profit or loss are past due or impaired.

(a) Foreign currency contracts

The Company aggregates non-derivative transactions of back to back loans from banks guaranteed by foreign currency deposits placed at the same banks as derivative instruments (foreign currency contracts), due to the fact that the transactions (placement of deposit and taking of the loan) result, in substance, in a derivative. The conclusion is based on the following indicators:

- they are entered into at the same time and in contemplation of one another,

- they have the same counterparty,
- they relate to the same risk,
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction,
- there is an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and future settlement.

The table below summarizes the contractual amounts outstanding at 31 December 2015 and 2014 with remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts are recognized in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional Amount	
	2015 GEL'000	**2014 GEL'000**
Sell USD buy GEL		
Less than 3 months	16,195	4,151
Between 3 and 12 months	34,571	16,513
More than 1 year	-	932
	50,766	**21,596**
Sell EUR buy GEL		
More than 1 year	3,925	3,398
Sell USD buy EUR		
Between 3 and 12 months	2,108	-
	56,799	**24,994**

11 Loans to customers

	2015 GEL'000	**2014 GEL'000**
Principal	103,032	69,674
Interest	2,091	1,443
Total loans to customers	**105,123**	**71,117**
Loans to retail customers		
Agriculture	30,513	23,672
Service	26,718	17,010
Trade	21,250	13,012
Consumer	23,494	10,932
Pawn shop	1,325	5,617
Manufacturing	4,332	2,400
Total loans to retail customers	**107,632**	**72,643**
Gross loans to customers	**212,755**	**143,760**
Impairment allowance	(2,509)	(1,526)
Net loans to customers	**105,123**	**71,117**

The loans to customers are classified by types based on a combination of factors (mainly the income source of the borrowers and the purpose of the loan). Loans taken by individual business owners for consumer purposes are presented in relevant categories according to the business activity types of the borrowers (Trade, Service, and Agriculture).

Movements in the loan impairment allowance for the year ended 31 December are as follows:

GEL'000	2015	2014
Balance at the beginning of the year	1,526	658
Net charge for the year	1,729	1,033
Foreign exchange loss	248	-
Written off for the year	(1,351)	(342)
Recoveries	357	177
Balance at the end of the year	**2,509**	**1,526**

The following table provides information by types of loan products as at 31 December 2015:

	Gross amount	Impairment allowance	Carrying amount
	GEL'000	GEL'000	GEL'000
Loans to retail customers:			
Agriculture	30,513	(972)	29,541
Service	26,718	(611)	26,107
Trade	21,250	(487)	20,763
Consumer	23,494	(338)	23,156
Pawn shop	1,325	(6)	1,319
Manufacturing	4,332	(95)	4,237
Total loans to customers	**107,632**	**(2,509)**	**105,123**

The following table provides information by types of loan products as at 31 December 2014:

	Gross amount	Impairment allowance	Carrying amount
	GEL'000	GEL'000	GEL'000
Loans to retail customers:			
Agriculture	23,672	(714)	22,958
Service	17,010	(315)	16,695
Trade	13,012	(219)	12,793
Consumer	10,932	(136)	10,796
Pawn shop	5,617	(101)	5,516
Manufacture	2,400	(41)	2,359
Total loans to customers	**72,643**	**(1,526)**	**71,117**

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2015:

	Gross loans GEL'000	Impairment allowance GEL'000	Net loans GEL'000	Impairment allowance to gross loans, %
Loans to retail customers				
Agriculture loans				
- not overdue	28,647	(255)	28,392	1%
- overdue less than 30 days	362	(58)	304	16%
- overdue 30-89 days	581	(223)	358	38%
- overdue 90-179 days	260	(137)	123	53%
-restructured	663	(299)	364	45%
Total agriculture loans	**30,513**	**(972)**	**29,541**	**3.19%**
Service loans				
- not overdue	25,729	(231)	25,498	1%
- overdue less than 30 days	287	(47)	240	16%
- overdue 30-89 days	84	(33)	51	39%
- overdue 90-179 days	91	(53)	38	58%
- restructured	527	(247)	280	47%
Total service loans	**26,718**	**(611)**	**26,107**	**2.29%**
Trade loans				
- not overdue	20,525	(183)	20,342	1%
- overdue less than 30 days	127	(20)	107	16%
- overdue 30-89 days	85	(30)	55	35%
- overdue 90-179 days	108	(62)	46	57%
- restructured	405	(192)	213	47%
Total trade loans	**21,250**	**(487)**	**20,763**	**2.29%**
Consumer loans				
- not overdue	22,987	(195)	22,792	1%
- overdue less than 30 days	244	(19)	225	8%
- overdue 30-89 days	75	(27)	48	36%
- overdue 90-179 days	55	(32)	23	58%
- restructured	133	(65)	68	49%
Total consumer loans	**23,494**	**(338)**	**23,156**	**1.44%**
Pawn shop loans				
- not overdue	1,301	(6)	1,295	0%
- overdue less than 30 days	24	-	24	0%
Total pawn shop loans	**1,325**	**(6)**	**1,319**	**0.45%**
Manufacture loans				
- not overdue	4,174	(38)	4,136	1%
- overdue less than 30 days	48	(8)	40	17%
- overdue 30-89 days	34	(13)	21	38%
- overdue 90-179 days	34	(19)	15	56%
- restructured	42	(17)	25	40%
Total manufacture loans	**4,332**	**(95)**	**4,237**	**2.19%**
Total loans to customers	**107,632**	**(2,509)**	**105,123**	**2.33%**

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

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans,
	GEL'000	GEL'000	GEL'000	%
Loans to retail customers				
Agriculture loans				
- not overdue	22,543	(231)	22,312	1%
- overdue less than 30 days	273	(66)	207	24%
- overdue 30-89 days	330	(93)	237	28%
- overdue 90-179 days	209	(169)	40	81%
-restructured	317	(155)	162	49%
Total agriculture loans	**23,672**	**(714)**	**22,958**	**3.02%**
Service loans				
- not overdue	16,830	(241)	16,589	1%
- overdue less than 30 days	79	(20)	59	25%
- overdue 30-89 days	72	(33)	39	46%
- overdue 90-179 days	29	(21)	8	72%
Total service loans	**17,010**	**(315)**	**16,695**	**1.85%**
Trade loans				
- not overdue	12,874	(162)	12,712	1%
- overdue less than 30 days	56	(14)	42	25%
- overdue 30-89 days	40	(28)	12	70%
- overdue 90-179 days	42	(15)	27	36%
Total trade loans	**13,012**	**(219)**	**12,793**	**1.68%**
Consumer loans				
- not overdue	10,877	(115)	10,762	1%
- overdue less than 30 days	28	(7)	21	25%
- overdue 30-89 days	12	(7)	5	58%
- overdue 90-179 days	15	(7)	8	47%
Total consumer loans	**10,932**	**(136)**	**10,796**	**1.24%**
Pawn shop loans				
- not overdue	5,427	(54)	5,373	1%
- overdue less than 30 days	177	(43)	134	24%
- overdue 30-89 days	13	(4)	9	33%
Total pawn shop loans	**5,617**	**(101)**	**5,516**	**1.80%**
Manufacture loans				
- not overdue	2,356	(25)	2,331	1%
- overdue less than 30 days	32	(9)	23	28%
- overdue 30-89 days	7	(5)	2	71%
- overdue 90-179 days	5	(2)	3	40%
Total manufacture loans	**2,400**	**(41)**	**2,359**	**1.71%**
Total loans to customers	**72,643**	**(1,526)**	**71,117**	**2.10%**

(b) Key assumptions and judgments for estimating loan impairment

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment for loans to customers include the following:

- overdue payments under the loan agreement;
- significant difficulties in the financial conditions of the borrower;
- deterioration in the business environment, negative changes in the borrower's markets.

The Company does not have individually significant loans. Management estimates loan impairment for loans to retail customers 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 the loan agreement, significant difficulties in the financial conditions of the borrower and realisability of related collateral, if any.

In determining the impairment allowance for loans not past due, management creates a collective provision of 1% considering the economic environment and market loss experience.

Changes in this estimate 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 retail customers as at 31 December 2015 would be GEL 3,229 thousand lower/higher (2014: GEL 2,179 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:

	2015 GEL'000	% of loan portfolio	2014 GEL'000	% of loan portfolio
Loans with no collateral	69,735	66%	49,089	69%
Loans with collateral	35,388	34%	22,028	31%
Total	**105,123**	**100%**	**71,117**	**100%**

Loans with collateral are mainly secured by real estate, movable property and precious metals. In addition, the majority of the loans are collateralized by sureties. Secured loans are mainly included in the pawn shop, service, trade and agricultural loan categories. The Company's policy is to issue such loans with a loan-to-value ratio at the date of loan issuance of a maximum of 60%.

Management estimates that the fair value of collateral estimated at the inception of the loans is at least equal to the carrying amounts of corresponding secured loans as at 31 December 2015 and 2014, excluding the effect of overcollateralization. Due to the low loan-to-value ratio, the management does not expect any possible negative movements in market prices to have a significant impact on recoverability of the loans.

Sureties received from individuals are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral.

Repossessed assets are presented in other assets (see note 13).

(d) Loan maturities

The maturity of the loan portfolio is presented in note 18(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

12 Property and equipment

GEL'000	Buildings	Vehicles	Furniture	IT equipment	Leasehold improvements	Other	Total
Cost							
Balance at 1 January 2015	95	133	356	1,078	1,904	1,089	4,655
Additions	-	157	142	250	768	649	1,966
Disposals	-	(77)	(2)	(20)	(2)	(24)	(125)
Balance at 31 December 2015	**95**	**213**	**496**	**1,308**	**2,670**	**1,714**	**6,496**
Depreciation							
Balance at 1 January 2015	(26)	(84)	(158)	(461)	(587)	(613)	(1,929)
Depreciation for the year	(3)	(30)	(94)	(214)	(438)	(356)	(1,135)
Disposals	-	68	1	14	2	21	106
Balance at 31 December 2015	**(29)**	**(46)**	**(251)**	**(661)**	**(1,023)**	**(948)**	**(2,958)**
Carrying amount							
At 31 December 2015	**66**	**167**	**245**	**647**	**1,647**	**766**	**3,538**

GEL'000	Buildings	Vehicles	Furniture	IT equipment	Leasehold improvements	Other	Total
Cost							
Balance at 1 January 2014	95	105	221	701	1,081	747	2,950
Additions	-	28	136	377	854	363	1,758
Disposals	-	-	(1)	-	(31)	(21)	(53)
Balance at 31 December 2014	**95**	**133**	**356**	**1,078**	**1,904**	**1,089**	**4,655**
Depreciation							
Balance at 1 January 2013	(23)	(66)	(92)	(312)	(344)	(361)	(1,198)
Depreciation for the year	(3)	(18)	(67)	(149)	(259)	(273)	(769)
Disposals	-	-	1	-	16	21	38
Balance at 31 December 2014	**(26)**	**(84)**	**(158)**	**(461)**	**(587)**	**(613)**	**(1,929)**
Carrying amount							
At 1 January 2014	72	39	129	389	737	386	1,752
At 31 December 2014	**69**	**49**	**198**	**617**	**1,317**	**476**	**2,726**

Other property and equipment mainly consist of security systems and generators.

There are no capitalized borrowing costs related to the acquisition or construction of property and equipment during 2015 (2014: nil).

13 Intangible assets

GEL'000	Computer software
Cost	
Balance at 1 January 2014	1,039
Additions	181
Disposals	(1)
At 31 December 2014	**1,219**
Additions	482
At 31 December 2015	**1,701**
Amortization	
Balance at 1 January 2014	(187)
Amortization for the year	(140)
Disposals	1
Balance at 31 December 2014	**(326)**
Amortization for the year	(176)
Balance at 31 December 2015	**(502)**
Carrying amounts	
At 1 January 2014	852
At 31 December 2014	**893**
At 31 December 2015	**1,199**

14 Other assets

	2015 GEL'000	2014 GEL'000
Other receivables	488	205
Receivables form personnel	2	-
Total other financial assets	490	205
Repossessed assets	361	252
Prepayments	388	435
Prepayments for non-current assets	46	8
Total other non-financial assets	795	695
Total other assets	**1,285**	**900**

15 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.

	2015 GEL'000	2014 GEL'000
Principal	96,289	66,530
Interest Accrued	1,677	1,017
	97,966	**67,547**

The Company's major lenders include:

	2015 GEL'000	2014 GEL'000
Non-current liabilities		
Unsecured loans from financial institutions	**67,082**	**40,526**
Current liabilities		
Unsecured loans from financial institutions	**30,884**	**27,021**
Total loans and borrowings	**97,996**	**67,547**

(a) Subordinated borrowings

As at 31 December 2015 subordinated borrowings included in unsecured loans from financial institutions comprise loans received from an international financial organization, Kfw maturing in 2019 amounting to GEL 4,366 thousand (2014: GEL 4,361 thousand) with an annual interest rate of 11% (2014: 11%). In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full of all other liabilities of the Company.

(b) Terms and debt repayment

Terms and conditions of outstanding loans are as follows:

				2015		2014	
GEL' 000	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
Unsecured loans from financial institutions	USD	7.75 – 12.5%	2015-2017	83,083	83,083	53,065	53,065
Unsecured loans from financial institutions	GEL	9-16.5%	2015-2019	12,039	12,039	10,454	10,454
Unsecured loans from financial institutions	EUR	6.5 %	2017	2,581	2,581	3,424	3,424
Unsecured loan from Ministry of Finance	GEL	2%+inflation	2019	243	243	313	313
Unsecured loan from Ministry of Finance	USD	2%+6m Libor	2019	20	20	291	291
Total interest bearing liabilities				**97,966**	**97,966**	**67,547**	**67,547**

(c) Unused credit line facilities

On 26 August 2015 the Company, signed a credit line agreement with JSC Bank of Georgia with an available facility of USD 1,503 thousand expiring in 2016. On 24 November 2015 the Company signed a loan agreement with EFSE S.A. SICAV SIF with an available facility of USD 3,000 thousand expiring in 2018.

16 Other liabilities

	2015 GEL'000	2014 GEL'000
Other payables	500	191
Total other financial liabilities	**500**	**191**
Accruals for employee compensation*	457	153
Taxes other than on income	67	11
Other non-financial liabilities	23	16
Total other non-financial liabilities	**547**	**180**
Total other liabilities	**1,047**	**371**

The amount payable to employees in respect of the management incentive plan (please refer to note 6), which have settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitle to payment.

17 Share capital and reserves

(a) Share capital

Share capital as at 31 December 2015 and 2014:

Shareholder	Number of shares	Common/ non-redeemable preference	Share %	Voting rights	Capital GEL
Fund Crystal	1,475,593	Common	65.61%	72%	1,475,593
DWM Funds S.C.A-SICAV SIF	485,555	Common	21.59%	24%	485,555
Keith Young	55,305	Common	2.46%	3%	55,305
DWM Funds S.C.A-SICAV SIF	191,177	Non-redeemable preference	8.50%	-	191,177
	2,207,630		**100.00%**	**100.00%**	**2,207,630**

All shares have a nominal value of GEL 1 and are fully paid.

All ordinary shares rank equally with regard to the Company's residual assets. Preference shares participate only to the extent of the face value of the shares, adjusted for any dividends in arrears. Each preference share carries an option for conversion into common shares of the Company.

Holders of non-redeemable cumulative preference shares are entitled to receive an annual cumulative dividend (subject to the laws of Georgia on dividend distribution below). The preference shares do not carry the right to vote.

On 4 December 2015, in general meeting of the Company's shareholders a decision was made to increase the Company's share capital by 771,430 ordinary shares. Out of the 771,430 ordinary shares, 378,719 shares shall be issued to and subscribed to DWM Funds S.C.A.- SICAV SIF, 378,719 shares shall be issued to and subscribed to AGRIF COÖPERATIEF U.A (a new investor); 13,902 shares shall be issued to and subscribed to the Company's management executive team.

By another decision made in the same general meeting, Fund Crystal shall be authorized to sell up to of its 25,401 common shares to AGRIF COÖPERATIEF U.A.; Keith Young shall be authorized to sell up to of his 55,305 common shares to AGRIF COÖPERATIEF U.A. and DWM Funds S.C.A.—SICAV SIF shall be authorized to sell up to 676,732 common shares (which will be held by the shareholder after conversion its preferred shares into common shares) to AGRIF COÖPERATIEF U.A.

The above changes in the Company's share capital were registered in the State Register in February 2016 (note 24).

(b) Share based payment reserve

During 2015 increase in share based payment reserve was due to equity settled share-based payments of GEL 488 thousand comprising 41,480 ordinary shares, please refer to note 6 for details. In February 2016 out of the 41,480 the 13,902 were registered as increase of the Company's share capital, please refer to note 24.

(c) Dividends

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company.

In accordance with Georgian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with IFRS.

In 2015 no dividends were declared to common shareholders (2014: GEL 181 thousand).

18 Risk management, corporate governance and internal control

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

(a) Risk management policies and procedures

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

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

The Company's Executive Board Risk Committee and the Finance Department are responsible for monitoring and implementation of risk mitigation measures and making sure that the Company operates within the established risk parameters. The Head of the Risk Department 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 Executive Board.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Company established a hierarchy of credit committees depending on the type and amount of the exposure.

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

(b) Market risk

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

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

Overall authority for market risk is vested in the ALCO.

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

(i) Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate 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 2015							
ASSETS							
Cash and cash equivalents	1,939	-	-	-	-	2,715	4,654
Term deposit	-	100	-	-	-	-	100
Loans to customers	11,138	4,825	18,870	70,060	230	-	105,123
	13,077	**4,925**	**18,870**	**70,060**	**230**	**2,715**	**109,877**
LIABILITIES							
Loans and borrowings	4,539	11,570	14,775	67,082	-	-	97,966
	8,538	**(6,645)**	**4,095**	**2,978**	**230**	**2,715**	**11,911**
GEL '000							
31 December 2014							
ASSETS							
Cash and cash equivalents	695	-	-	-	-	5,625	6,320
Loans to customers	6,991	3,114	13,746	47,059	207	-	71,117
	7,686	**3,114**	**13,746**	**47,059**	**207**	**5,625**	**77,437**
LIABILITIES							
Loans and borrowings	6,547	6,687	13,787	40,526	-	-	67,547
	1,139	**(3,573)**	**(41)**	**6,533**	**207**	**5,625**	**9,890**

Average effective interest rates

The table below displays average effective interest rates for interest-bearing assets and liabilities as at 31 December 2015 and 2014. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2015 Average effective interest rate, %			2014 Average effective interest rate, %		
	GEL	**USD**	**EUR**	**GEL**	**USD**	**EUR**
Interest bearing assets						
Loans to customers	37%	30%	-	37%	31%	-
Interest bearing liabilities						
Loans and borrowings	12%	9%	7%	12%	9%	3%

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2014 and 2013, is as follows:

	2015	2014
	GEL'000	GEL'000
100 bp parallel fall	(50)	36
100 bp parallel rise	50	(36)

(ii) *Currency risk*

The Company has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Company hedges its exposure to currency risk through use of back to back loans which are classified as derivatives (see note 9 (a)), such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2015:

	EUR	USD	Total
	GEL'000	GEL'000	GEL'000
ASSETS			
Cash and cash equivalents	964	2,112	3,076
Loans to customers	-	27,941	27,941
Other financial assets	-	21	21
Total assets	**964**	**30,074**	**31,038**
LIABILITIES			
Loans and borrowings	2,652	83,277	85,929
Total liabilities	**2,652**	**83,277**	**85,929**
Net position	**(1,688)**	**(53,203)**	**(54,891)**
The effect of derivatives held for risk management	**1,817**	**52,874**	**54,691**
Net position after derivatives held for risk management purposes	**129**	**(329)**	**(200)**

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2014:

	EUR	USD	Total
	GEL'000	GEL'000	GEL'000
ASSETS			
Cash and cash equivalents	740	4,301	5,041
Loans to customers	-	25,936	25,936
Other financial assets	299	29	328
Total assets	**1,039**	**30,266**	**31,305**
LIABILITIES			
Loans and borrowings	3,424	53,356	56,780
Total liabilities	**3,424**	**53,356**	**56,780**
Net position	**(2,385)**	**(23,090)**	**(25,475)**
The effect of derivatives held for risk management	**3,398**	**21,596**	**24,994**
Net position after derivatives held for risk management purposes	**1,013**	**(1,494)**	**(481)**

The following significant exchange rates were applied during the year:

in GEL	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
USD 1	2.2702	1.7659	2.3949	1.8636
EUR 1	2.5969	2.3462	2.6169	2.2656

A weakening of the GEL, as indicated below, against the following currencies at 31 December 2015 and 2014, would have increased (decreased) profit or loss by the amounts shown below. This analysis is on a net-of-tax basis, and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2015	2014
	GEL'000	GEL'000
10% appreciation of USD against GEL	(24)	(127)
10% appreciation of EUR against GEL	196	86

A strengthening of the GEL against the above currencies at 31 December 2015 and 2014 would have had the equal 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company has policies and procedures for the management of credit exposures, including the establishment of Credit Committees, the analytical bodies responsible for analysing the information

in the loan applications, assessing and reducing the credit risks. The credit policy (in the form of a Credit Manual) is reviewed and approved by the Supervisory Board.

The credit policy establishes:

- procedures for reviewing and approving 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.).

Assessment of the applicant's creditworthiness through monitoring of its business allows timely avoidance the risk of financial loss. Monitoring is performed by credit officers who report the results to the management. Regular monitoring of loans is also performed by the Monitoring Department. For timely response to potential risks, monitoring results are presented to the top management on monthly basis. The monitoring system helps to manage credit risks and to minimize them in a timely manner.

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

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

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

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

As at 31 December 2015 the Company has no debtors or groups of connected debtors (2014: nil), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

(d) Liquidity risk

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

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

The Company seeks to actively support a diversified and stable funding base comprising long- term and short-term loans from other banks and other financial institutions, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account 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 and the ALCO. Under the normal market conditions, information on the liquidity position are presented to the Management Risk Committee on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Finance Department.

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

The maturity analysis for financial assets and liabilities as at 31 December 2015 is as follows:

GEL'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross Amount outflow	Carrying amount
Non-derivative liabilities							
Loans and borrowings	446	4,643	13,502	18,085	73,639	110,315	97,966
Other financial liabilities	398	-	102	-	-	500	500
Total financial liabilities	**844**	**4,643**	**13,604**	**18,085**	**73,639**	**110,815**	**98,466**

The maturity analysis for financial assets and liabilities as at 31 December 2014 is as follows:

GEL'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Loans and borrowings	296	6,761	8,155	15,955	46,107	77,274	67,547
Other financial liabilities	191	-	-	-	-	191	191
Total financial liabilities	**487**	**6,761**	**8,155**	**15,955**	**46,107**	**77,465**	**67,738**

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2015:

GEL'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	4,654	-	-	-	-	-	-	4,654
Time deposit	-	-	100	-	-	-	-	
Financial instruments at fair value through profit or loss:								
- Outflow	(3,941)	(9,860)	(35,440)	(3,320)	-	-	-	(52,561)
- Inflow	4,929	11,267	36,678	3,925	-	-	-	56,799
Loans to customers	3,776	6,978	23,141	69,101	230	-	1,897	105,123
Property and equipment	-	-	-	-	-	3,538	-	3,538
Intangible assets	-	-	-	-	-	1,199	-	1,199
Deferred tax assets	-	-	-	-	-	1,049	-	1,049
Other assets	878	46	-	-	-	361	-	1,285
Total assets	**10,296**	**8,431**	**24,479**	**69,706**	**230**	**6,147**	**1,897**	**121,086**
LIABILITIES								
Loans and borrowings	374	4,165	26,345	67,082	-	-	-	97,966
Current tax liability	-	-	512	-	-	-	-	512
Other liabilities	673	-	374	-	-	-	-	1,047
Total liabilities	**1,047**	**4,165**	**27,231**	**67,082**	**-**	**-**	**-**	**99,525**
Net position	**9,249**	**4,266**	**(2,752)**	**2,624**	**230**	**6,147**	**1,897**	**21,561**

The table below shows an analysis, by expected maturities, of amounts recognised in the statement of financial position as at 31 December 2014:

GEL'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	6,320	-	-	-	-	-	-	6,320
Financial instruments at fair value through profit or loss:								
- Outflow	(3,759)	(15,302)	(4,191)	-	-	-	-	(23,252)
- Inflow	4,151	16,513	4,330	-	-	-	-	24,994
Loans to customers	504	6,406	16,859	47,060	207	-	81	71,117
Property and equipment	-	-	-	-	-	2,726	-	2,726
Intangible assets	-	-	-	-	-	893	-	893
Deferred tax assets	-	-	-	-	-	533	-	533
Other assets	640	8	-	-	-	252	-	900
Total assets	**7,856**	**7,625**	**6,998**	**47,060**	**207**	**4,404**	**81**	**84,231**
LIABILITIES								
Loans and borrowings	237	6,311	20,473	40,526	-	-	-	67,547
Current tax liability	-	-	351	-	-	-	-	351
Other liabilities	371	-	-	-	-	-	-	371
Total liabilities	**608**	**6,311**	**20,824**	**40,526**	**-**	**-**	**-**	**68,269**
Net position	**7,248**	**1,314**	**(3,826)**	**6,534**	**207**	**4,404**	**81**	**15,962**

19 Capital management

The Company's objectives when maintaining capital are:

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

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

The Company is in compliance with minimum statutory capital requirements – the minimum cash contribution in the equity should not be less then GEL 250 thousand.

The Company also monitors its capital adequacy levels to comply with debt covenants, calculated in accordance with the lenders requirements. As at 31 December 2015 and 2014 the Company was in compliance with the capital adequacy requirements.

20 Operating leases

Leases as lessee

All lease agreements are cancellable upon the Company giving notice to the landlord. Notice periods generally vary from one to three months. Non-cancellable minimum lease rentals are payable as follows:

	2015	2014
	GEL'000	GEL'000
Less than 1 year	227	223

The Company leases a number of premises under operating leases. The leases typically run for an initial period of three to five years, with an option to renew the lease after that date. Lease payments are usually increased every two or three years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

21 Contingencies

(a) Litigation

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

(b) 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 four 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

22 Related party transactions

(a) Control relationships

The Company's parent company is Crystal Fund, which is also the ultimate controlling party.

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

Total remuneration and consulting fees included in personnel expenses for the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
	GEL'000	GEL'000
Salaries and bonuses	529	461
Share based payment transaction	488	-
Profit sharing plan	332	-
Consulting fees	291	26
	1,640	**487**

23 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities. The estimated fair values of all financial instruments approximate their carrying values. The principles for determining fair values is disclosed in note 3c(v).

The estimated fair values of all financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate and currency swaps.

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

- discount rates of 30-37% are used for discounting future cash flows from loans to customers (2014: 31-37%);
- discount rates of 9%-12% are used for discounting future cash flows from loans and borrowings (2014: 9-12%).

As at 31 December 2015 and 2014, the Company does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

(b) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy, which 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 quotes 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 table below analyses financial instruments measured at fair value at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position:

GEL '000	Level 2
Financial instruments at fair value through profit or loss	
- Derivative assets	**4,238**

The table below analyses financial instruments measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position:

GEL '000	**Level 2**
Financial instruments at fair value through profit or loss	
- Derivative assets	**1,742**

24 Events after the reporting period

In February 2016 the Company received GEL 8,991 thousand equity investments as a result of the following transactions: 378,719 new shares were issued and subscribed to AGRIF COÖPERATIEF U.A. and 378,719 new shares were issued and subscribed to DWM Funds S.C.A.- SICAV SIF. at GEL 11.87 per share.

In addition, in February 2016 Fund Crystal sold 25,401 common shares to AGRIF COÖPERATIEF U.A.; Keith Young sold 55,305 common shares to AGRIF COÖPERATIEF U.A. and DWM Funds S.C.A.—SICAV SIF sold 676,732 common shares to AGRIF COÖPERATIEF U.A.

In February 2016 the 13,902 shares that were equity settled shares (note 6, note 17(b)) were registered as increase of the Company's share capital at nominal value of GEL 1 per share.