PKF

Accountants &
business advisers

QUALIFIED CREDIT INSTITUTION MICROFINANCE ORGANIZATION RICO EXPRESS LTD

Financial Statements as at 31 December, 2013

with

Independent Auditors' Report

Qualified Credit Institution MFO Rico Express LTD
Financial Statements as at
31 December, 2013

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Statement of management's responsibilities

Management of Qualified Credit Institution MFO Rico Express LTD is responsible for accompanying financial statements of Qualified Credit Institution MFO Rico Express LTD.

This responsibility includes:

- preparation of financial statements in accordance with International Financial Reporting Standards;
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent;
- preparation of the financial statements on the going concern basis, unless circumstances make this inappropriate.

Management is also responsible for:

- creation, implementation and maintaining effective internal control system;
- keeping proper accounting records in compliance with local regulations;
- taking such steps as are reasonably open to them to safeguard the assets of the Company; and
- prevention and detection of fraud and other irregularities.

The financial statements for the year ended 31 December, 2013 were approved by the management and signed on its behalf:

Tamar Gogodze

Director
Qualified Credit Institution MFO Rico Express LTD

Gulida Sajaia

Chief Accountant
Qualified Credit Institution MFO Rico Express LTD

Date: October 10, 2014

Accountants & business advisers

INDEPENDENT AUDITORS' REPORT
TO THE OWNERS OF QUALIFIED CREDIT INSTITUTION MFO RICO EXPRESS LTD

Report on the financial statements

We have audited the accompanying financial statements of Qualified Credit Institution MFO Rico Express Ltd (the "Company"), which comprise the statement of financial position as at December 31, 2013 and the statement of comprehensive income, statement of changes in equity and cash flow statement 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. This responsibility includes: designing, implementing and maintaining the internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 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 risk of material misstatements of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF UBC Services LLC

Date: October 10, 2014

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Qualified Credit Institution MFO Rico Express LTD
STATEMENT OF FINANCIAL POSITION
As at December 31, 2013
Amounts expressed in thousands of GEL

	Note	As at 31-Dec-13	As at 31-Dec-12	As at 31-Dec-11
ASSETS				
Cash and cash equivalents	7	23,080	20,658	3,876
Loans to customers	8	105,197	83,245	46,797
Interest receivable	8	2,329	1,662	928
Other receivables and advances	9	579	1,785	379
Repossessed collateral		-	420	-
Inventories		35	48	60
Property and equipment	10	9,003	8,124	5,746
Intangible assets	11	100	105	54
Total assets		**140,323**	**116,047**	**57,840**
LIABILITIES				
Borrowings	12	104,296	93,451	42,407
Interest payable	12	1,706	1,530	791
Tax liabilities	13	1,084	24	1,025
Deferred income tax liability	14	721	692	580
Other liabilities	15	69	430	117
Total liabilities		**107,876**	**96,127**	**44,920**
EQUITY				
Charter capital	18	836	836	836
Revaluation reserve		1,241	1,293	1,048
Retained earnings		30,370	17,791	11,036
Total equity		**32,447**	**19,920**	**12,920**
Total liabilities and equity		**140,323**	**116,047**	**57,840**

Tamar Gogodze
Director

Gulida Sajaia
Chief Accountant

Date: October 10, 2014

Qualified Credit Institution MFO Rico Express LTD
STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2013
Amounts expressed in thousands of GEL

	Note	Year 2013	Year 2012	Year 2011
Interest income		35,213	26,515	15,753
Interest expense	12	(15,006)	(11,319)	(5,465)
Net interest income		**20,207**	**15,196**	**10,288**
Income from currency trading		1,619	971	610
Commissions from money transferring activity		708	460	190
Other income		33	15	24
Operating income		**22,567**	**16,642**	**11,112**
Administrative and general expenses	16	(5,817)	(6,364)	(4,511)
Loan loss expense	8	(744)	(762)	(426)
Impairment losses of Repossessed collateral		-	(164)	-
Net gain/loss from sales of collaterals		(1,581)	(561)	6
Property and equipment revaluation loss		-	(301)	(139)
Property and equipment revaluation loss compensation		-	106	33
Net foreign exchange gain / (loss)		1,018	(239)	(753)
Profit before income tax		**15,443**	**8,357**	**5,322**
Income tax		(2,412)	(1,457)	(1,633)
NET PROFIT/(LOSS) FOR THE YEAR		**13,031**	**6,900**	**3,689**
Transfer of revaluation surplus to retained earnings		52	42	43
TOTAL COMPREHENSIVE INCOME/(LOSS)		**13,083**	**6,942**	**3,732**

Tamar Gogodze
Director

Gulida Sajaia
Chief Accountant

Date: October 10, 2014

Qualified Credit Institution MFO Rico Express LTD
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013
Amounts expressed in thousands of GEL
Direct Method

	Year 2013	Year 2012	Year 2011
Cash flows from operating activities			
Interest received from loans issued	31,772	24,445	14,867
Interest received on bank deposits	598	213	98
Loans Issued	(152,497)	(149,089)	(83,417)
Loan principal returned by customers	131,689	109,814	62,739
Cash received from money transferring activity	130,476	47,391	24,334
Cash paid for money transferring activity	(128,926)	(48,572)	(25,208)
Commissions received from money transferring activity	708	460	190
Commissions and fee received from other activity	3,478	2,082	1,391
Receipts from exchange trading	1,593	971	610
interest paid for loans and overdrafts	(1,190)	(1,066)	(405)
interest paid for promissory notes	(13,662)	(9,513)	(4,754)
staff costs paid	(3,114)	(2,420)	(1,397)
Profit tax paid	(1,373)	(2,322)	(317)
Other taxes paid	(185)	(192)	(253)
Other expenses paid	(2,418)	(3,673)	(2,902)
Net cash from operating activities	**(3,051)**	**(31,471)**	**(14,424)**
Cash flows from investing activities			
Acquisition of premises and equipment	(1,144)	(2,460)	(2,601)
Cash from sales of premises and equipment	5	3	-
Net cash from investing activities	**(1,139)**	**(2,457)**	**(2,601)**
Cash flows from financing activities			
Proceeds from borrowed funds	207,810	212,048	87,916
Repayment of borrowed funds	(201,431)	(160,758)	(67,490)
Dividends paid	(504)	(187)	(395)
Net cash from financing activities	**5,875**	**51,103**	**20,031**
Exchange rate difference	737	(393)	(228)
Net increase in cash and cash equivalents	**2,422**	**16,782**	**2,778**
Cash and cash equivalents at beginning of period	**20,658**	**3,876**	**1,098**
Cash and cash equivalents at the end of the reporting period	**23,080**	**20,658**	**3,876**

Tamar Gogodze
Director

Gulida Sajaia
Chief Accountant

Date: October 10, 2014

Qualified Credit Institution MFO Rico Express LTD
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2013
Amounts expressed in thousands of GEL

	Charter capital	**Revaluation Reserve**	**Retained Earnings**	**Total**
Balance as at January 01, 2011	**836**	**1,079**	**7,699**	**9,614**
Transfer of revaluation surplus to retained earnings	-	(43)	43	**-**
Gain on revaluation	-	29	33	**62**
Loss on revaluation	-	(17)	(139)	**(156)**
Net profit for the year	-	-	3,795	**3,795**
Declared dividends	-	-	(395)	**(395)**
Balance as at December 31, 2011	**836**	**1,048**	**11,036**	**12,920**
Transfer of revaluation surplus to retained earnings	-	(42)	42	**-**
Gain on revaluation	-	378	106	**484**
Loss on revaluation	-	(91)	(301)	**(392)**
Net profit for the year	-	-	7,095	**7,095**
Declared dividends	-	-	(187)	**(187)**
Balance as at December 31, 2012	**836**	**1,293**	**17,791**	**19,920**
Transfer of revaluation surplus to retained earnings	-	(52)	52	**-**
Gain on revaluation	-	-	-	**-**
Loss on revaluation	-	-	-	**-**
Net profit for the year	-	-	13,031	**13,031**
Declared dividends	-	-	(504)	**(504)**
Balance as at December 31, 2013	**836**	**1,241**	**30,370**	**32,447**

Tamar Gogodze
Director

Gulida Sajaia
Chief Accountant

Date: October 10, 2014

NOTES TO FINANCIAL STATEMENTS
Amounts expressed in thousands of GEL unless otherwise stated

1 GENERAL INFORMATION

Qualified Credit Institution MFO Rico Express LTD was founded in 2004 and registered on 1 July 2004 by Vake-saburtalo District Court. Its legal and actual address is 68-70, Chavchavadze ave., Tbilisi. As required by the Georgian legislation the Company is registered by the National Bank of Georgia (NBG) as microfinance organization on 11 April, 2007 with the registration number 80407. In accordance with NBG regulations on 26 June, 2013 the Company was also registered as qualified credit institution. The sole owner of the Company as at December 31, 2013 is Dali Urushadze.

The Company issues small and medium-sized loans to physical persons under movable and immovable property guarantee.

2 BASES OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Significant accounting policies used in the preparation of these financial statements are disclosed further in the notes.

These are the first financial statements that the Company prepares under IFRS and makes available for external users. The Company used the same accounting policies throughout all periods presented in these first IFRS financial statements. Those accounting policies comply with each IFRS effective at the end of the first IFRS reporting period which is year ended December 31, 2013. IFRS 1 requires the Company to explain how transition from previous GAAP to IFRSs affected its reported financial position, financial performance and cash flows. As far as the Company did not present financial statements to the external users for previous periods no such explanation is provided.

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations without significant negative changes in activity level during the foreseeable future.

The Company presents the statement of financial position broadly in order of liquidity. Analysis of assets and liabilities as current (to be recovered /settled within 12 months after the reporting date) and non-current (to be recovered /settled after 12 months after the reporting date) is provided in Note 17.4.

3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Georgian Lari (GEL), unless otherwise stated. GEL is also the functional currency of the Company.

4 OFFSETTING

Financial assets (loans and receivables) and financial liabilities (borrowings and trade payables) are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Incomes and liabilities are not offset unless required or permitted by IFRS and as specifically disclosed in the accounting policies of the Company.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and unrestricted balances in banks. Bank overdrafts, if any, are shown as borrowings on the balance sheet.

5.2 Loans to customers

Loans granted by the Company are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

5.3 Trade and other receivables

Trade and other receivables are carried at original invoice amounts less provision made for impairment of these receivables. Trade and other receivables denominated in foreign currencies are presented at the exchange rates prevailing at the balance sheet date.

5.4 Impairment of loans and receivables

Loans and receivables are assessed of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the transaction.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

* significant financial difficulty of the borrower/debtor;

* breach of contract, such as a default or delinquency in interest or principal payments;

* it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

* observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of loans or receivables since the initial recognition of those assets, although the decrease cannot yet be identified with the individual assets in the group, including:

(i) adverse changes in the payment status of borrowers in the group, or

(ii) national or local economic conditions that correlate with defaults on the assets in the group.

The carrying amount of the impaired asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a loan or a receivable is uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of impairment loss decreases the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed the amortized cost that the asset would have if no impairment had been previously recognized.

NOTES TO FINANCIAL STATEMENTS (Continued)

Amounts expressed in thousands of GEL unless otherwise stated

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.5 Advances

Advances paid to suppliers of goods and services are initially recognized at the amount paid and are adjusted as necessary to reflect possible impairment of these advances. Advances are considered to be impaired when there is objective evidence that the Company will not be able to receive all goods or services according to the original terms of the agreements with counterparties.

Advances paid for current assets and for the services which by their nature are part of short-term operating expenses are classified as current assets. All other advances, e.g. advances paid for the acquisition of long-term assets are classified as non-current and presented in the respective section of the balance sheet.

Advances denominated in foreign currencies are presented at the exchange rates prevailing on the payment date and are not restated at the exchange rate of the balance sheet date.

5.6 Property, plant and equipment

Tangible items that are held for use in supply of services, for rental to others, or for administrative purposes and are expected to be used during more than one period are recognized in the balance sheet as property and equipment. Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The Company uses different measurement methods for different groups of property, plant and equipment.

After recognition as an asset the buildings are carried at a revalued amount, being the item's fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The fair value of buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers.

The frequency of revaluations depends upon the changes in fair values of the items of property and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is conducted. When an item of property and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued. Subsequent depreciation of property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a straight line method.

All other groups of property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.6 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation for all groups of property and equipment is calculated using the straight-line method. Estimated useful lives by groups of assets are as follows:

Asset group	Estimated useful life
Buildings	25 years
Computers and Communication	5 years
Office equipment	5 years
Vehicles	5 years

Property, plant and equipment (PPE) is reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an item of PPE may not be recoverable. Whenever the carrying amount of an item of PPE accounted for using the cost model exceeds its recoverable amount (which is the higher of the asset's fair value less costs of disposal and its value in use) an impairment loss is recognized in the statement of comprehensive income. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of the statement of comprehensive income as the impairment loss.

5.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible asset are recognized in the balance sheet if, and only if (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and (b) the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method and amortization rate is 15 % annual.

5.8 Repossessed collateral

Repossessed collateral includes collaterals of lombard loans (gold, diamond and silver items) acquired by the Company in settlement of overdue loans. For mortgage loans, secured by immovable properties, the Company does not have legal right to obtain legal ownership of collateral rather the Company has right to sell the collateralized property to recover the loan, interest and penalties receivable balance. The Company recognizes repossessed assets in the statement of financial position when it has the full and final settlement rights to the collateral. The related defaulted loan is derecognized simultaneously.

At initial recognition repossessed assets are measured at the amount equivalent to the balance of the respective defaulted loan receivable (including related interest and penalty receivables) at the moment of derecognition of the loan. After the initial recognition repossessed assets are measured at the lower of (1) the balance of the respective defaulted loan receivable (including related interest and penalty receivables) at the moment of derecognition of the loan and (2) the fair value less costs to sell, which is the estimated selling price of the collateral in the ordinary course of business, less the related selling costs. The difference between the carrying amount of the assets at the initial recognition and the fair value less costs to sell is recognized in the profit or loss.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.9 Income taxes

Profit for the period is taxable at a rate of 15% in accordance with Georgian regulatory legislation on taxation. Income tax expense is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and estimates of income tax performed by the management in accordance with Georgian regulatory legislation on taxation. According to Georgian legislation, tax losses are carried forward for 5 years.

Deferred income tax is calculated using the comprehensive liability method. This method calculates a Deferred income tax asset or liability on the temporary differences that arise between the recognition of items in the balance sheet of the company used for tax purposes and the one prepared for IFRS reporting purposes. Changes in deferred tax balance are included in income tax expense / benefit line in the profit and loss statement.

5.10 Borrowings

Borrowings are initially recognized at the amount received net of any transaction costs directly attributable to the acquisition of loan. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

5.11 Other Liabilities

Other liabilities are recognized initially at fair value and subsequently measured at amortized cost.

5.12 Interest income and expense recognition

Interest income and expense are recorded in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided or received.

5.13 Other incomes

Income from currency trading and commissions from money transferring activities are recognized as services are provided. Incomes from sales of appropriated collaterals (mainly gold) is recognized when collaterals are sold, i.e. when all significant risks and rewards of ownership are transferred to the buyer and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

5.14 Foreign currency translation

Transactions denominated in foreign currency are recorded at the exchange rate ruling on the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of comprehensive income using the exchange rate ruling on that date.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.14 Foreign currency translation (Continued)

Monetary assets and liabilities denominated in foreign currency are translated into Georgian Lari at the official exchange rate of the NBG (National Bank of Georgia) at the balance sheet date. As at December 31, 2013 the principal rates of exchange used for translating foreign currency balances was:

	31-Dec-13	31-Dec-12	31-Dec-11
US Dollar (USD)	1.7363	1.6567	1.6703
Euro (EUR)	2.3891	2.1825	2.1614
Russian Ruble (RUB)	0.0531	0.0545	0.0519
Turkish Lira (TRY)	0.8122	0.9247	0.8725
Swiss Franc (CHF)	1.9491	1.8065	1.7780
United Kingdom Pound (GBP)	2.8614	2.6653	2.5776
Canadian Dollar (CAD)	1.6209	1.6655	1.6364

6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property and equipment – The estimation of the useful life property and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an item of property, plant and equipment, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Fair value of items of PPE accounted for using the revaluation model – Fair value of buildings, whish are accounted for using the revaluation model in IAS 16 was approximated based on valuation report of professional valuers who performed valuation of these assets. Valuation itself requires use of estimates and assumptions. Thus the actual fair value of the Company's buildings may differ from the amount disclosed in these financial statements.

Fair value less costs to sell of repossessed collaterals – Fair value less costs to sell of repossessed assets is normally available from the observable information obtainable from the actual sales transactions conducted after the balance sheet date. However, in cases when the repossessed collaterals are not sold after the balance sheet date and up to the date of signature of the financial statements the estimation of the fair value less costs to sell depends on historical information and managements expectation of possible selling prices.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

***Loan loss expense* –** The Company assesses the collectability of loans and receivables based on the historical experience and the management's judgment regarding recoverability of these assets and when the management concludes the Company will not be able to collect all amounts due, the loan impairment loss is recognized. So the loan loss amount is based on the management's judgment and estimations and thus actual loss may differ from the amount recognized in these financial statements.

Taxation – The Company is primarily subject to taxation in Georgia. Georgian tax, currency and customs legislation is subject to varying interpretations. The management of the Company recognizes liabilities for anticipated additional tax assessments as a result of tax audits based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determinations are made.

7 CASH AND CASH EQUIVALENTS	**Note**	**31-Dec-13**	**31-Dec-12**	**31-Dec-11**
Cash on hand	**7.1**	9,290	8,465	3,765
Cash in bank	**7.1**	13,790	12,193	111
Total		**23,080**	**20,658**	**3,876**

7.1 Breakdown of cash and cash equivalents by currency	**31-Dec-13**	**31-Dec-12**	**31-Dec-11**
Georgian Lari (GEL)	5,780	6,145	3,248
US Dollar (USD)	15,244	12,873	402
Euro (EUR)	1,741	1,579	207
Russian Ruble (RUB)	146	30	-
Turkish Lira (TRY)	113	-	-
Swiss Franc (CHF)	27	9	14
United Kingdom Pound (GBP)	26	22	5
Canadian Dollar (CAD)	3	-	-
Total	**23,080**	**20,658**	**3,876**

8 LOANS TO CUSTOMERS

The Company issues small and medium-sized loans to physical persons under movable and immovable property guarantee: there are Mortgage Loans, which are secured by the real estates, and the Lombard Loans, which are secured by jewelry, mostly the gold, diamonds and silver items. Normally, for lombard loans collaterals' assessed market value exceeds the amount of granted loan by 10% to 15%. For mortgage loans collateral market value is normally 3-4 times higher. So, the management believes that the Company's loans are adequately supported by collaterals.

Lombard loans are issued normally for 1 month (for GEL loans) or 6 month (for loans in USD and EUR) period and mortgage loans are normally issued for 35 months period.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

8 LOANS TO CUSTOMERS (Continued)

Year 2011	Mortgage loans	Lombard loans	Total
As at 31-Dec-2010	**9,884**	**19,897**	**29,781**
Additions	25,729	57,631	**83,360**
Interest and penalties charged	4,721	10,783	**15,504**
Principal paid	(19,344)	(43,205)	**(62,550)**
Interest and penalties paid	(4,626)	(10,203)	**(14,829)**
Written off Principal	(123)	(714)	**(837)**
Written off Interest and penalties	(88)	(391)	**(479)**
FX difference	(608)	(1,190)	**(1,799)**
Loan loss expense	34	(460)	**(426)**
As at 31-Dec-2011	**15,579**	**32,147**	**47,725**

Year 2012	Mortgage loans	Lombard loans	Total
As at 31-Dec-2011	**15,579**	**32,147**	**47,726**
Additions	52,508	96,571	**149,079**
Interest and penalties charged	7,904	18,134	**26,039**
Principal paid	(37,545)	(72,455)	**(110,001)**
Interest and penalties paid	(7,686)	(16,753)	**(24,439)**
Written off Principal	(7)	(1,885)	**(1,892)**
Written off Interest and penalties	(3)	(1,053)	**(1,056)**
FX difference	72	140	**213**
Loan loss expense	(310)	(452)	**(762)**
As at 31-Dec-2012	**30,513**	**54,393**	**84,907**

Year 2013	Mortgage loans	Lombard loans	Total
As at 31-Dec-2012	**30,513**	**54,393**	**84,907**
Additions	46,485	106,233	**152,717**
Interest and penalties charged	10,373	24,155	**34,528**
Principal paid	(40,754)	(91,067)	**(131,821)**
Interest and penalties paid	(10,406)	(21,785)	**(32,191)**
Written off Principal	(164)	(2,690)	**(2,853)**
Written off Interest and penalties	(146)	(1,915)	**(2,061)**
FX difference	1,814	3,230	**5,044**
Loan loss expense	243	(987)	**(744)**
As at 31-Dec-2013	**37,959**	**69,567**	**107,526**

9 OTHER RECEIVABLES AND ADVANCES	**31-Dec-13**	**31-Dec-12**	**31-Dec-11**
Money Transfer Companies	421	1,702	215
Trade Receivables	41	-	116
Advance payments	117	83	48
Total	**579**	**1,785**	**379**

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

10 PROPERTY AND EQUIPMENT

Year 2011	Land and Buildings	Computers and Communication	Office equipment	Vehicles	Construction in progress	TOTAL
Historical Cost						
As at 31-Dec-10	**2,734**	**458**	**44**	**131**	**230**	**3,597**
Additions	2,373	226	94	17	-	**2,710**
Disposals	-	-	-	(3)	-	**(3)**
Elimination on revaluation	(125)	-	-	-	-	**(125)**
Revaluation gain	62	-	-	-	-	**62**
Revaluation loss	(149)	-	-	-	(8)	**(157)**
As at 31-Dec-11	**4,895**	**684**	**138**	**145**	**222**	**6,084**
Accumulated Depreciation						
As at 31-Dec-10	**-**	**(124)**	**(18)**	**(46)**	**-**	**(188)**
Charge for the year	(125)	(109)	(14)	(27)	-	**(275)**
Acc. Depreciation of disposals	-	-	-	-	-	**-**
Elimination on revaluation	125	-	-	-	-	**125**
As at 31-Dec-11	**-**	**(233)**	**(32)**	**(73)**	**-**	**(338)**
Net Book Value						
As at 31-Dec-10	**2,734**	**334**	**26**	**85**	**230**	**3,409**
As at 31-Dec-11	**4,895**	**451**	**106**	**72**	**222**	**5,746**

Year 2012	Land and Buildings	Computers and Communication	Office equipment	Vehicles	Construction in progress	TOTAL
Historical Cost						
As at 31-Dec-11	**4,895**	**684**	**138**	**145**	**222**	**6,084**
Additions	1,715	313	226	322	201	**2,777**
Disposals	(3)	-	-	-	-	**(3)**
Elimination on revaluation	(222)	-	-	-	-	**(222)**
Revaluation gain	476	-	-	-	7	**483**
Revaluation loss	(301)	-	-	-	(91)	**(392)**
As at 31-Dec-12	**6,560**	**997**	**364**	**467**	**339**	**8,727**
Accumulated Depreciation						
As at 31-Dec-11	**-**	**(233)**	**(32)**	**(73)**	**-**	**(338)**
Charge for the year	(222)	(156)	(36)	(73)	-	**(487)**
Acc. Depreciation of disposals	-	-	-	-	-	**-**
Elimination on revaluation	222	-	-	-	-	**222**
As at 31-Dec-12	**-**	**(389)**	**(68)**	**(146)**	**-**	**(603)**
Net Book Value						
As at 31-Dec-11	**4,895**	**451**	**106**	**72**	**222**	**5,746**
As at 31-Dec-12	**6,560**	**608**	**296**	**321**	**339**	**8,124**

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

10 PROPERTY AND EQUIPMENT (continued)

Year 2013	Land and Buildings	Computers and Communication	Office equipment	Vehicles	Construction in progress	TOTAL
Historical Cost						
As at 31-Dec-12	**6,560**	**997**	**364**	**467**	**339**	**8,727**
Additions	1,016	226	52	85	133	**1,512**
Disposals	-	-	-	(32)	-	**(32)**
Elimination on revaluation	-	-	-	-	-	**-**
Revaluation gain	-	-	-	-	-	**-**
Revaluation loss	**-**	**-**	**-**	**-**	**-**	**-**
As at 31-Dec-13	**7,576**	**1,223**	**416**	**520**	**472**	**10,207**
Accumulated Depreciation						
As at 31-Dec-12	**-**	**(389)**	**(68)**	**(146)**	**-**	**(603)**
Charge for the year	(261)	(205)	(74)	(83)	-	**(623)**
Acc. Depreciation of disposals	-	-	-	22	-	**22**
Elimination on revaluation	-	-	-	-	-	**-**
As at 31-Dec-13	**(261)**	**(594)**	**(142)**	**(207)**	**-**	**(1,204)**
Net Book Value						
As at 31-Dec-12	**6,560**	**608**	**296**	**321**	**339**	**8,124**
As at 31-Dec-13	**7,315**	**629**	**274**	**313**	**472**	**9,003**

Land and buildings with the net book value of GEL 1,030 is used as a collateral for the loan from TBC Bank.

11 INTANGIBLE ASSETS

Year 2011	Computer Software	TOTAL
Historical Cost		
Balance at 31-Dec-10	**84**	**84**
Additions	-	**-**
Balance at 31-Dec-11	**84**	**84**
Accumulated Amortization		
Balance at 31-Dec-10	**(18)**	**(18)**
Charge for the period	(12)	**(12)**
Balance at 31-Dec-11	**(30)**	**(30)**
Net Book Value		
Balance at 31-Dec-10	**66**	**66**
Balance at 31-Dec-11	**54**	**54**

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

11 INTANGIBLE ASSETS (Continued)

Year 2012	**Computer Software**	**TOTAL**
Historical Cost		
Balance at 31-Dec-11	**84**	**84**
Additions	69	**69**
Balance at 31-Dec-12	**153**	**153**
Accumulated Amortization		
Balance at 31-Dec-11	**(30)**	**(30)**
Charge for the period	(18)	**(18)**
Balance at 31-Dec-12	**(48)**	**(48)**
Net Book Value		
Balance at 31-Dec-11	**54**	**54**
Balance at 31-Dec-12	**105**	**105**

Year 2013	**Computer Software**	**TOTAL**
Historical Cost		
Balance at 31-Dec-12	**153**	**153**
Additions	20	**20**
Balance at 31-Dec-13	**173**	**173**
Accumulated Amortization		
Balance at 31-Dec-12	**(48)**	**(48)**
Charge for the period	(25)	**(25)**
Balance at 31-Dec-13	**(73)**	**(73)**
Net Book Value		
Balance at 31-Dec-12	**105**	**105**
Balance at 31-Dec-13	**100**	**100**

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

12 BORROWINGS

Year 2011	TBC Bank	Kor Standard Bank	Liberty Bank	Other legal entities	Promissory notes	Total
As at 31-Dec-2010	**-**	**-**	**3,801**	**3,925**	**17,638**	**25,364**
Additions	-	-	7,150	-	82,679	**89,829**
Interest charged	-	-	400	9	5,096	**5,505**
Principal paid	-	-	(9,313)	(3,700)	(57,804)	**(70,817)**
Interest paid	-	-	(411)	(13)	(4,783)	**(5,207)**
FX difference	-	-	(125)	(221)	(1,130)	**(1,476)**
As at 31-Dec-2011	**-**	**-**	**1,502**	**-**	**41,696**	**43,198**

Year 2012	TBC Bank	Kor Standard Bank	Liberty Bank	Republic Bank	Promissory notes	Total
As at 31-Dec-2011	**-**	**-**	**1,502**	**-**	**41,696**	**43,198**
Additions	15,484	16,584	1,950	460	174,570	**209,048**
Interest charged	357	415	280	32	10,131	**11,215**
Principal paid	(2,212)	(11,130)	(3,450)	(66)	(140,899)	**(157,757)**
Interest paid	(290)	(363)	(282)	(27)	(9,507)	**(10,469)**
FX difference	1	7	-	-	(262)	**(254)**
As at 31-Dec-2012	**13,340**	**5,513**	**-**	**399**	**75,729**	**94,981**

Year 2013	TBC Bank	Kor standard Bank	Liberty Bank	Republic Bank	Promissory notes	Total
As at 31-Dec-2012	**13,340**	**5,513**	**-**	**399**	**75,729**	**94,981**
Additions	14,500	4,148	5,000	-	184,162	**207,810**
Interest charged	661	356	32	29	13,958	**15,036**
Principal paid	(26,844)	(8,305)	(5,000)	(394)	(160,888)	**(201,431)**
Interest paid	(723)	(402)	(32)	(34)	(13,726)	**(14,917)**
FX difference	71	43	-	-	4,409	**4,523**
As at 31-Dec-2013	**1,005**	**1,353**	**-**	**-**	**103,644**	**106,002**

Loan contracts with the Company's customers allow the Company to use obtained collaterals as a collateral for the Company's own borrowings from the banks and the loans from TBC Bank and Kor Standard Bank are secured by such items.

Land and buildings with the net book value of GEL 1,030 is used as a collateral for the loan from TBC Bank.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

13 TAX LIABILITIES	31-Dec-13	31-Dec-12	31-Dec-11
Profit tax	(1,011)	(1)	(977)
Personnel income tax	(61)	1	(5)
VAT	-	(2)	(28)
Property tax	(13)	(21)	(15)
Other taxes	1	(1)	-
Total	**(1,084)**	**(24)**	**(1,025)**

14 DEFERRED INCOME TAX

Results arising form temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are presented in below table:

Deferred income tax asset (liability)	31-Dec-13	31-Dec-12	31-Dec-11
Interest receivable	290	178	64
Repossessed collateral	-	25	-
Property and equipment	(1,243)	(1,105)	(762)
Interest payable	232	210	118
Net deferred income tax asset (liability)	**(721)**	**(692)**	**(580)**

Movement in the deferred tax during the year	Year 2013	Year 2012	Year 2011
At the beginning of the year - asset (Liability)	(692)	(580)	(268)
Movement for the year – benefit / (expense)	(29)	(112)	(312)
At the end of the year: Asset / (Liability)	**(721)**	**(692)**	**(580)**

The change in deferred tax position during the period is included in the income statement affecting the profit tax expense figure:

Income tax expense for the year	Year 2013	Year 2012	Year 2011
Statutory tax expense	2,383	1,345	1,321
Effect of deferred taxation	29	112	312
Total Income tax benefit /(expense) for the year	**2,412**	**1,457**	**1,633**

15 OTHER LIABILITIES	31-Dec-13	31-Dec-12	31-Dec-11
Money transfer companies	6	197	2
Accounts payable	63	233	115
Total	**69**	**430**	**117**

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

16 ADMINISTRATIVE AND GENERAL EXPENSES	2013	2012	2011
Staff cost	3,066	2,449	1,418
Depreciation and amortization	648	505	287
Advertisement cost	376	1,223	447
Office rent	312	228	178
Legal and consulting cost	301	122	74
Communication and utility	227	194	146
Vehicles maintenance cost	102	100	49
Representative expenses	93	103	38
Tax expenses	91	76	54
Office equipment and stationery	126	159	110
Business trip expense	65	35	19
Security cost	53	57	53
Penalties	11	966	1,512
Other expenses	346	147	126
Total	**5,817**	**6,364**	**4,511**

17 RISK MANAGEMENT

17.1 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.

The Company's maximum exposure to credit risk equals the carrying value of its cash, loans issued and receivables. However, the main item in the balance sheet that creates the credit risk for the Company is loans issued to customers.

The Company uses various methods to manage the credit risk.

Credit risks associated with lombard loans is mainly managed by requesting collaterals for the loans. In addition the Company limits and monitors the amount of lombard loans granted to one borrower (maximum GEL 50 thousand) and there are no individual borrowers with significant balance in relation to the total lombard loans balance.

For mortgage loans the requesting person first fills the loan application which is discussed and analyzed by the credit department of the Company. If the application is accepted as eligible by the credit department, then the face-to-face interview with the customer is conducted by the Company's director and the chairman of the supervisory board. If the Company's director and the chairman of the supervisory board conclude that the credit risk for this client is at acceptable level then the property subject to mortgage is assessed and the mortgage loan is issued in the amount not exceeding 30% of the property's market value.

17.2 Currency risk

Foreign currency denominated assets and liabilities give rise to foreign exchange exposure. Included in the next tables are the Company’s financial assets and financial liabilities at carrying amounts, categorized by currency (presented in GEL equivalents). Investments in non-monetary assets are not considered to give rise to any material currency risks.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

17 RISK MANAGEMENT (Continued)

17.2 Currency risk (Continued)

December 31, 2011	GEL	USD	EUR	Other	Total
Cash and cash equivalents	3,248	402	207	19	**3,876**
Loans to customers	6,474	39,250	1,073	-	**46,797**
Interest receivable	85	829	14	-	**928**
Other financial assets	116	163	52	-	**331**
Total	**9,923**	**40,644**	**1,346**	**19**	**51,932**
Borrowings	2,957	37,990	1,460	-	**42,407**
Interest payable	49	712	30	-	**791**
Tax liabilities	1,025	-	-	-	**1,025**
Other financial liabilities	115	3	-	-	**118**
Total	**4,146**	**38,705**	**1,490**	**-**	**44,341**
Currency Position	**5,777**	**1,939**	**(144)**	**19**	**7,591**

December 31, 2012	GEL	USD	EUR	Other	Total
Cash and cash equivalents	6,145	12,873	1,579	61	**20,658**
Loans to customers	8,667	73,548	1,030	-	**83,245**
Interest receivable	109	1,502	51	-	**1,662**
Other financial assets	-	403	1,391	4	**1,798**
Total	**14,921**	**88,326**	**4,051**	**65**	**107,363**
Borrowings	11,823	79,490	2,138	-	**93,451**
Interest payable	131	1,371	28	-	**1,530**
Tax liabilities	24	-	-	-	**24**
Other financial liabilities	274	249	2	1	**526**
Total	**12,252**	**81,110**	**2,168**	**1**	**95,531**
Currency Position	**2,669**	**7,216**	**1,883**	**64**	**11,832**

December 31, 2013	GEL	USD	EUR	Other	Total
Cash and cash equivalents	5,780	15,244	1,741	315	**23,080**
Loans to customers	8,131	96,029	1,037	-	**105,197**
Interest receivable	102	2,214	13	-	**2,329**
Other financial assets	41	178	534	8	**761**
Total	**14,054**	**113,665**	**3,325**	**323**	**131,367**
Borrowings	6,940	96,309	1,047	-	**104,296**
Interest payable	147	1,541	18	-	**1,706**
Tax liabilities	1,084	-	-	-	**1,084**
Other financial liabilities	185	184	-	-	**369**
Total	**8,356**	**98,034**	**1,065**	**-**	**107,455**
Currency Position	**5,698**	**15,631**	**2,260**	**323**	**23,912**

As the above table shows the company is exposed mainly to currency risk arising from possible changes of USD/GEL and EUR/GEL exchange rates. However management does not expect material negative changes in USD/GEL and EUR/GEL exchange rates.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

17 RISK MANAGEMENT (Continued)

17.3 Interest rate risk

Interest rate risk is the risk that market interest rate fluctuations will adversely affect Company's financial position or its financial results.

All loans issued to customers are with fixed interest rates. The Company has significant interest-bearing liabilities which also have fixed interest rates and for most of these liabilities the interest rate is set by the Company, thus the management believes the Company has no significant exposure to the risk of market interest rate changes.

17.4 Liquidity risk

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The tables below show the Company's financial assets and financial liabilities as at 31 December of respective year by their remaining contractual maturity, unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement is used.

December 31, 2011	Up to 1 Year	1 to 5 Years	More than 5 years	No stated maturity	Total
Cash and cash equivalents	3,876	-	-	-	**3,876**
Loans to customers	36,530	10,267	-	-	**46,797**
Interest receivable	928	-	-	-	**928**
Other financial assets	331	-	-	-	**331**
Total	**41,665**	**10,267**	**-**	**-**	**51,932**
Borrowings	41,247	1,160	-	-	**42,407**
Interest payable	791	-	-	-	**791**
Tax liabilities	1,025	-	-	-	**1,025**
Other financial liabilities	118	-	-	-	**118**
Total	**43,181**	**1,160**	**-**	**-**	**44,341**
Liquidity gap	**(1,516)**	**9,107**	**-**	**-**	**7,591**

December 31, 2012	Up to 1 Year	1 to 5 Years	More than 5 years	No stated maturity	Total
Cash and cash equivalents	20,658	-	-	-	**20,658**
Loans to customers	63,172	20,073	-	-	**83,245**
Interest receivable	1,662	-	-	-	**1,662**
Other financial assets	1,798	-	-	-	**1,798**
Total	**87,290**	**20,073**	**-**	**-**	**107,363**
Borrowings	93,057	394	-	-	**93,451**
Interest payable	1,530	-	-	-	**1,530**
Tax liabilities	24	-	-	-	**24**
Other financial liabilities	526	-	-	-	**526**
Total	**95,137**	**394**	**-**	**-**	**95,531**
Liquidity gap	**(7,847)**	**19,679**	**-**	**-**	**11,832**

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

17 RISK MANAGEMENT (Continued)

17.4 Liquidity risk

December 31, 2013	Up to 1 Year	1 to 5 Years	More than 5 years	No stated maturity	Total
Cash and cash equivalents	23,080	-	-	-	**23,080**
Loans to customers	80,370	24,827	-	-	**105,197**
Interest receivable	2,329	-	-	-	**2,329**
Other financial assets	761	-	-	-	**761**
Total	**106,540**	**24,827**	**-**	**-**	**131,367**
Borrowings	102,949	1,347	-	-	**104,296**
Interest payable	1,706	-	-	-	**1,706**
Tax liabilities	1,084	-	-	-	**1,084**
Other financial liabilities	369	-	-	-	**369**
Total	**106,108**	**1,347**	**-**	**-**	**107,455**
Liquidity gap	**432**	**23,480**	**-**	**-**	**23,912**

18 CAPITAL ADEQUACY

The National Bank of Georgia sets capital adequacy requirements for micro financial organizations. As required by the NBG, minimum amount of share capital for micro financial organization must be GEL 250 fully paid in cash. As at December 31, 2013 charter capital of Rico Express LTD is GEL 836 so the Company satisfies the minimum capital requirement.

19 GOING CONCERN CONSIDERATIONS

At the end of reporting period, management of the Company considers the Company's ability to continue as a going concern, in order to ensure that presentation of financial statements based on a going concern assumption is relevant in the circumstances. The management is convinced that the Company's functionality as going concern is not threatened and they don't have any plans for company liquidation or significant restriction of its activity.

20 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In the normal course of business the Company enters into transactions with related parties. The details of the related party transactions and balances for the financial period reported are provided below:

Balances with related parties	Year 2013	Year 2012	Year 2011
Loans to:			
Management	119	74	261
Shareholders	43	-	-
Other Related parties	269	138	231
Total loans to related parties	**431**	**212**	**492**

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

20 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Balances with related parties (Continued)	Year 2013	Year 2012	Year 2011
Promissory notes from:			
Management	1,908	2,541	2,437
Shareholders	-	-	186
Other Related parties	312	303	219
Total promissory notes from related parties	**2,220**	**2,844**	**2,842**
Interest receivables from loans:			
Management	1	1	1
Shareholders	-	-	-
Other Related parties	2	1	-
Total Interest receivables from loans	**3**	**2**	**1**
Interest payables on promissory notes:			
Management	2	5	24
Shareholders	-	-	7
Other Related parties	5	3	5
Total interest payables on promissory notes	**7**	**8**	**36**

Transactions with related parties	Year 2013	Year 2012	Year 2011
Interest accrued on loans:			
Management	17	17	15
Shareholders	-	-	-
Other Related parties	52	25	12
Total interest accrued on loans	**69**	**42**	**27**
Interest accrued on promissory notes:			
Management	372	440	167
Shareholders	-	7	34
Other Related parties	38	46	40
Total interest accrued on promissory notes	**410**	**493**	**241**
Salary Accrued:			
Management	715	540	321
Shareholders	-	-	-
Other Related parties	-	-	-
Total Salary Accrued	**715**	**540**	**321**

21 CONTINGENCIES AND COMMITMENTS

21.1 Taxation

Georgian tax, currency and customs legislation is subject to varying interpretations and changes that can occur frequently. The relevant regional and state authorities may challenge management's interpretation of such legislations, transactions applied and the Company's activities. It is suggested that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, additional taxes, penalties and interest may be assessed.

NOTES TO FINANCIAL STATEMENTS (Continued)
Amounts expressed in thousands of GEL unless otherwise stated

21 CONTINGENCIES AND COMMITMENTS (Continued)

21.2 Legal proceedings

In the normal course of business the company is involved in the legal proceedings with clients who have violated terms of the agreement. There is one active legal proceeding at the balance sheet date related to seizure of collateral for overdue loan.