IC GROUP JSC

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

These consolidated financial statements are presented in GEL.

Decimal symbol is dot (".") and digit-grouping symbol is comma (",")

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC IC Group Insurance and its subsidiaries (the "Group") at 31 December 2017 and the results of its operations, cash flows, and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2017 were approved by management on 15 April 2018.

On behalf of the Management Board:

Tengiz Mezurnishvili
General Director

Levan Kakulia
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT AND SHAREHOLDERS OF IC GROUP JSC

Opinion

We have audited the consolidated financial statements of IC Group Insurance Joint-stock Company and its subsidiaries (hereinafter the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The consolidated financial statements of IC Group Insurance Joint-stock Company for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 13, 2017.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15 April 2018

RSM Georgia

RSM Georgia

Managing Partner: Giorgi Kvinikadze

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year 2017	Year 2016
Gross earned premiums on insurance contracts	18	11,479	15,444
Reinsurer's share of gross earned premiums on insurance contracts	18	(5,822)	(14,342)
Net insurance revenue		**5,657**	**1,102**
Interest income	19	211	1,253
Revenue from medical services rendered	20	-	495
Change in fair value of investment properties	9	(54)	667
Gain from sale of subsidiaries		737	-
Other operating income	21	1,355	508
Total other revenue		**2,249**	**2,923**
Total revenue		**7,906**	**4,025**
Gross insurance benefits and claims paid	22	(6,669)	(8,434)
Reinsurers' share of gross insurance benefits and claims paid	22	3,692	9,610
Gross change in contracts liabilities	22	1,863	(2,770)
Reinsurers' share of gross change in insurance contract liabilities	22	(2,165)	3,277
Net insurance claims		**(3,279)**	**1,683**
Cost of Medical Service Provided		-	(536)
Salaries and other employee benefits	23	(2,090)	(2,110)
General and other administrative expenses	24	(1,219)	(2,408)
Impairment charge	25	(1,148)	(3,036)
Interest expense	19	(75)	(601)
Depreciation and amortization expenses	11	(219)	(698)
Acquisition income, net of reinsurance	26	451	4,476
Net foreign exchange and translation gain		80	330
Other operating expenses	21	(354)	(353)
Total other expenses		**(4,574)**	**(4,936)**
Total claims and expenses		**(7,853)**	**(3,253)**
Loss before tax		**53**	**772**
Income tax (expense)/benefit	8	385	(241)
Net Income/(Loss) for the year from continuing operations		**438**	**531**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**438**	**531**
Total comprehensive (loss)/income attributable to:			
- Shareholders of the Company		438	531
- Non-controlling interest		-	-

General Director — Tengiz Mezurnishvili

Chief Financial Officer — Levan Kakulia

	Note	As at 31-Dec-17	As at 31-Dec-16
ASSETS			
Cash and cash equivalents	3	1,902	1,129
Amounts due from credit institutions	4	1,125	2,691
Insurance and reinsurance receivables	5	8,788	4,001
Loans issued and receivables	6	7	1,399
Reinsurance assets	7	9,619	13,573
Current income tax asset	8	-	16
Deferred income tax asset	8	2,133	3,078
Investment property	9	1,852	2,080
Property and equipment	10	1,498	3,109
Intangible assets		33	61
Deferred acquisition costs	11	414	332
Other assets	12	1,329	5,051
Total assets		**28,700**	**36,520**
EQUITY			
Share capital	17	2,430	1,500
Retained earnings		3,726	3,288
Total equity		**6,156**	**4,788**
LIABILITIES			
Insurance contracts liabilities	7	13,925	15,948
Deferred commission income		293	1,087
Other insurance liabilities	13	6,158	4,407
Financial liabilities	14	522	5,954
Trade payables	15	427	800
Other liabilities	16	1,219	3,536
Total liabilities		**22,544**	**31,732**
Total equity and liabilities		**28,700**	**36,520**

General Director — Tengiz Mezurnishvili

Chief Financial Officer — Levan Kakulia

STATEMENT OF CHANGES IN EQUITY

	note	Share capital	Retained earnings	Total
Balance as at December 31, 2015		**1,500**	**2,757**	**4,257**
Shareholders' contribution (net)		-	-	-
Total comprehensive income		-	531	531
Balance as at December 31, 2016		**1,500**	**3,288**	**4,788**
Shareholders' contribution (net)		930	-	930
Total comprehensive income		-	438	438
Balance as at December 31, 2017	17	**2,430**	**3,726**	**6,156**

General Director Tengiz Mezurnishvili

Chief Financial Officer Levan Kakulia

CONSOLIDATED STATEMENT OF CASH FLOWS

	2017	2016
Cash flows from operating activities		
Premium received	10,559	13,920
Cash paid to reinsurer	(2,721)	(2,626)
Claims paid	(6,535)	(7,407)
Acquisition costs	(697)	(778)
Subrogation received	82	107
Cash payments to employees	(1,574)	(1,555)
Net interest income	399	(60)
Administrative & other payments	(981)	(1,851)
Penalties paid	(20)	(74)
Taxes paid	(562)	(817)
Rent income	-	128
Cash received from medical services	-	172
Net cash flows (used in)/from operating activities	**(2,050)**	**(841)**
Cash flows from investing activities		
Time deposits	1,545	465
Purchase (sale) of property and equipment	(387)	(37)
Loans issued (net)	79	71
Investments in subsidiaries	-	(666)
Other investments	692	(11)
Net cash flows (used in)/from investing activities	**1,929**	**(178)**
Cash flows from financing activities		
Net overdrafts received / (repaid)	-	(982)
Loans received / (paid)	954	(116)
Cash received from shareholders		260
Dividends paid	-	(257)
Net cash flows (used in)/from financing activities	**954**	**(1,095)**
Cash and cash equivalents, beginning balance	**1,129**	**3,141**
Net (decrease)/increase in cash and cash equivalents	**833**	**(2,114)**
Net effect of exchange rates changes on cash and cash equivalents	(35)	102
Net Cash Flow from Discontinued Operations	(25)	-
Cash and cash equivalents, ending balance	**1,902**	**1,129**

General Director Tengiz Mezurnishvili

Chief Financial Officer Levan Kakulia

NOTES

1 GENERAL INFORMATION

Insurance Company IC Group LLC (the „Company“) was incorporated on 10 November 2005 based on the decision of Vake District Court of Tbilisi, under the laws of Georgia. On 5 May 2009 Insurance Company IC Group LLC acquired 100% of JSC Peoples’ Insurance. The latter was merged with Insurance Company IC Group LLC on 15 September 2009. The insurance company changed its legal status and since 23 December 2015 it is JSC Insurance Company IC Group.

The Company possesses two types of insurance licenses issued by the Insurance Bureau and Supervisory Board of Georgia for life and non-life insurance products. The Company offers life and various non-life insurance services and insurance products relating to property, aviation, liability, personal insurance and others.

The registered office of the Company is 24 Mosashvili St, Tbilisi, 0162 Georgia.

The owner of 99.45432% of Company's shares is Tengiz Mezurnishvili, General Director of the Company, while 0.54568% belong to IIC Georgia B.V.

The number of employees at the end of 2017 was 120 (2016:100).

Subsidiaries:

LLC “Global Call” (hereinafter referred to as the “subsidiaries”), identification number 404880526 was registered on 3 December 2010 in Tbilisi, Georgia. The Company’s legal address is 85/24 Paliashvili/Moseshvili str, Tbilisi Georgia. The company is operating in industry of information and communication.

LLC “Agaraki” (hereinafter referred to as the “subsidiaries”), identification number 404915437 was registered on 25 October 2011 in Tbilisi, Georgia. The Company’s legal address is 83 Paliashvili str, Tbilisi Georgia. The company is operating in Real Estate industry.

LLC “Shardeni 2017” (hereinafter referred to as the “subsidiaries”), identification number 404542633 was registered on 25 October 2011 in Tbilisi, Georgia. The Company’s legal address is 17 Shardeni str, Tbilisi Georgia. The company is operating in Real Estate industry.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Company is required to maintain its records and prepare its consolidated financial statements for regulatory purposes in Georgian Lari in accordance with IFRS

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

These consolidated financial statements value are presented in Georgian Lari (functional and presentation currency) rounded to the nearest thousand (GEL 000), unless otherwise indicated.

The Company presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after reporting date (non-current) is presented in the respective Notes.

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

The consolidated financial statements comprise a statement of profit or loss, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Group in their capacity as owners are recognised in the statement of changes in equity. The statement of financial position format is in order of liquidity.

Measurement bases

The consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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. When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account

Application of new and amended standards

For the preparation of these consolidated financial statements, the following amendments to Standards are mandatory for the first time for the financial year beginning 1 January 2017.

- Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) – The amendments require entities to provide information that enables users of financial statements to evaluate changes in liabilities arising from the entity's financing activities. The amendments had no effect on the Company's consolidated financial statements.

- Amendments to IAS 12 titled Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016) – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base (eg deferred tax asset related to unrealised losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets. The amendments had no effect on the Company's consolidated financial statements.

Amendments to existing Standards

The company has not adopted any standards or interpretations in advance of the required implementation dates. The following standards/amendments, which are not yet effective, might have a significant effect on the companies financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- Amendments to IAS 40 titled Transfers of Investment Property (issued in December 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018 (earlier application permitted), clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred. The amendments are not expected to have a material effect on the Company's consolidated financial statements.

- Amendments to IFRS 4 titled Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, give all insurers the option to recognise in other comprehensive income, rather than in profit or loss, the volatility that could arise when IFRS 9 is applied before implementing IFRS 17 ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying IFRS 9, thus continuing to apply IAS 39 instead ('the deferral approach'). As the Company has not issued insurance contracts, the amendments are not expected to have an effect on its consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) – The amendments address a current conflict between the two Standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after 1 January 2016, was deferred indefinitely in December 2015 but earlier application is still permitted. This is not expected to have an effect on the Company's consolidated financial statements.

New Standards

- IFRS 9 Financial Instruments (issued in July 2014) – The Standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018 (earlier application permitted). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.
    - IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
    - For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
    - For the impairment of financial assets, IFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.
    - For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
    - The recognition and derecognition provisions are carried over almost unchanged from IAS 39.

  The Management anticipate that IFRS 9 will be adopted in the Company's consolidated financial statements when it becomes mandatory. The Company is in the process of quantifying the effect of adoption if IFRS 9, however no reasonable estimate of this effect is yet available.The standard is valid after 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and amended for effective date and clarifications in September 2015 and April 2016 respectively) - The Standard, effective for annual periods beginning on or after 1 January 2018 (earlier application permitted), replaces IAS 11, IAS 18 and their Interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The management anticipate that IFRS 15 will be adopted in the Company's consolidated financial statements when it becomes mandatory, and they intend to use the modified retrospective approach method by recognizing the cumulative transition effect in opening retained earnings on 1 of January 2018 - the date transition to the new Standard.

  However, as the Management is still in the process of assessing the impact of the application of IFRS 15 on the Company's consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the Management complete the detailed review.

- IFRS 16 Leases (issued in January 2016) - The Standard, effective for annual periods beginning on or after 1 January 2019 (earlier application permitted only if IFRS 15 also applied), replaces IAS 17 and its Interpretations. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The Directors anticipate that IFRS 16 will be adopted in the Company's consolidated financial statements when it becomes mandatory, However, as the Management is still in the process of assessing the full impact of the application of IFRS 16 on the Company's consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the Management complete the detailed review.

In thousand GEL

IFRS 17 Insurance Contracts (issued in May 2017) - The Standard that replaces IFRS 4, effective for annual periods beginning on or after 1 January 2021 (earlier application permitted only if IFRS 9 and IFRS 15 also applied), requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts, giving a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. As the Company has issued insurance contracts, reinsurance contracts, the Standard is expected to have an effect on its consolidated financial statements

Basis of Consolidation

Consolidated Financial Statement includes Group's financial statement at 31 December 2017. Subsidiaries are those enterprises, which are controlled by the Parent Company. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when control effectively commences until the date that control effectively ceases. Intra group transactions are deducted from consolidated financial statements.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of purchase consideration over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of acquisition is less than the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired the difference is recognized directly in the profit or loss.

Group is recognizing the assets granted from founder in equity for the contribution date at fair value (including the subsidiaries received from the founder free of charge)

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-Company balances, transactions, income and expenses and profits and losses resulting from intra-Company transaction are eliminated in full**.**

Subsidiaries listed below were sold in year 2017. The financial result of subsidiaries disposed and net gain (loss) from disposal are shown as separate items on the statement of comprehensive income.

	Ownership / Voting		
Subsidiaries	**2017**	**2016**	**Country**
AliansMedi + LLC	100%	100%	Georgia
Medical Park Georgia LLC	100%	100%	Georgia
Bolnisi District Hospital LLC	100%	100%	Georgia
Bolnisi District Adults Polyclinic LLC	100%	100%	Georgia
Diagnostics - 2000 LLC	100%	100%	Georgia
Bolnisi District Emergency Service -	100%	100%	Georgia

In thousand GEL

NOTES (CONTINUED)

03 LLC

Following subsidiaries remained under the control of the Company:

Subsidiaries	Ownership / Voting 2017	Ownership / Voting 2016	Country
Global Call LLC	100%	100%	Georgia
Agaraki LLC	100%	100%	Georgia
Shardeni 2017 LLC	100%	100%	Georgia

Subsidiaries, which are those entities in which the Company has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where it is necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiaries, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiaries, it derecognizes the assets and liabilities of the subsidiaries, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss.

Product classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where.

At the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Cash and cash equivalents

Cash and cash equivalents comprise cash at Company, current accounts and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position.

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognized based upon insurance policy terms and measured at cost.

The carrying value of insurance and reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with any impairment loss recorded in the consolidated income statement.

Reinsurance receivables primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance receivables are impaired only if there is objective evidence that the Company may not receive all amounts due to it under the terms of the contract and that this can be measured reliably.

Other insurance liabilities

Other insurance liabilities, is amortised over the period in which the related revenues are earned.

Financial assets

Initial recognition and measurement

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans issued and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets upon initial recognition.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as at fair value through profit or loss, as the Company's strategy is to manage financial investments acquired to cover its insurance and investment contract liabilities (including shareholders' funds), on the same bases, being fair value. The available-for-sale and held-to-maturity categories are used where the relevant liability (including shareholders' funds) are passively managed and/or carried at amortized cost.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Company's financial assets include cash and short-term deposits, loans issued and other receivable and investments available for sale.

Loans issued and receivables

Loans issued and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial recognition available-for sale financial assets are re-measured at fair value with gains or losses being recognized as a separate component of other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. However, interest calculated using the effective interest method is recognized in the consolidated income statement.

Determination of fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Derecognition of financial assets

A financial asset (or, when applicable, a part of financial asset or part of a Company of similar financial assets) is derecognised when:
• The right to receive cash flows from the assets have expired or
• The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'path-through' arrangement; And either:
• The Company has transferred substantially all the risks and rewards of the asset; or
• The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

When the Company transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred the control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

In this case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the right and obligations that the Company has retained.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognized in the consolidated income statement.

Assets carried at amortized cost

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal paymentand amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is transferred from equity to the consolidated income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the consolidated income statement. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in consolidated income statement.

Insurance contract liabilities

Life insurance contract liabilities

The provision for life insurance contracts is calculated on the basis of the terms of the contract and the insurance period as well as the prudent estimation of incurred losses in the claims reported at the reporting date.

General insurance contract liabilities

General insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. General business contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. The liability is calculated at the reporting date based on empirical data and current assumptions. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date the carrying amount of unearned premium is calculated on active policies based on the insurance period and time until the expiry date of each insurance policy. The Company reviews its unexpired risk based on historical performance of separate business lines to determine overall change in expected claims. The differences between the unearned premium reserves, loss provisions and as well as the expected claims are recognised in the consolidated income statement by setting up a provision for premium deficiency.

Reinsurance assets

The Company cedes insurance risk in the normal course of business for all of its businesses except for health insurance. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

The reinsurers' share of each unexpired risk provision is recognized on the same basis. Reinsurance assets are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Offsetting

Reinsurance assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the reinsurance asset and settle the reinsurance liability simultaneously. Respective income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Deferred acquisition costs

The commission costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition costs (DAC) for general insurance and health products are amortised over the period in which the related revenues are earned.

Property and equipment

Property and equipment, including the owner occupied property, is stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is provided straight line basis over the useful lives of the following classes of assets:

- Buildings: 20 years
- Motor vehicles: 5 years
- Medical equipment and machinery: 5 years
- Furniture and fixtures: 5 to 10 years
- Leasehold improvements: 7 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated income statement as an expense.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use of disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

Assets under construction comprised costs directly related to construction of property and equipment including an appropriate allocation of directly attributable variable and fixed overheads that are incurred in construction. Depreciation of these assets, on the same basis as similar property assets, commences when the assets are put into operation.

Leasehold improvements are amortised over the life of the related leased asset. The assets residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Investment properties

Investment properties are measured initially at cost, including transaction cost. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to date of the change in use.

Inventory supplies

Inventory supplies are valued at the lower of cost and net realizable value. Cost of inventory supplies is determined on a weighted average basis and includes expenditure incurred in acquiring inventory supplies and bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. No provisions for obsolete or slow moving inventory supplies are made.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs.

The Company's financial liabilities include insurance contract liabilities, bank loans, overdrafts and other liabilities.

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of EIR. The EIR amortisation is included in interest expense in the consolidated income statement.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Insurance payables

Initial recognition and measurement

Insurance payables are recognised when due and are measured on initial recognition at the fair value of consideration received less directly attributable transaction costs.

Derecognition of insurance payables

Insurance payables are derecognised when obligation under the liability is settled, cancelled or expired.

Deferred commission income

The commission income earned during the financial period arising from the reinsurance ceded are deferred and then amortised over the period in which the related reinsurance costs are recognized.

Leases

Finance leases - The Company as lessee

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of specific asset or assets and the arrangement conveys a right to use the asset, even if the right is not explicitly specified in an arrangement. For arrangement entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the translation requirements of IFRIC 4.

Company as lessee

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in interest expense in the consolidated income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period when they are incurred.

Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the country where the Company operates and generates taxable income.

The current income tax expense is calculated in accordance

Deferred tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Georgia also has various operating taxes, which are assessed on the Company's activities. These taxes are included as a component of other operating expenses.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with function of intangible asset.

• Computer software: 7 years

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is more probable than not.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Governmental grants

Governmental grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiaries conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held. Grants related to income are government grants other than those related to assets.

Presentation of grants related to assets

Government grants related to assets, including non-monetary grants at fair value, are presented in the consolidated statement of financial position by setting up the grant as deferred income.

Deferred income is recognised in profit or loss on a systematic basis over the useful life of the asset.

Share capital

Share capital

Share capital is recognized at cost. Share capital contributed in assets other than cash is stated at the fair value of such assets at the date of contribution.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Income and expense recognition
Premium income

Premiums from life insurance contracts are recognized as revenue when payable by the policyholders, except for investment-linked premiums which are accounted for when the corresponding liabilities are recognized. For single premium business this is the date from which the policy is effective. For regular premium contracts, receivables are recorded at the date when payments are due.

For non-life business premiums written are recognized on policy inception and earned on a pro rata basis over the term of the related policy coverage.

Estimates of premiums written as at the reporting date but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums earned.

Premiums are shown before deduction of commission and before any sales-based taxes or duties. Where policies lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums.

General insurance and health premiums written reflect business incepted during the year, and exclude any sales-based taxes or duties. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are computed principally on either a daily or monthly pro rata basis. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience, and are included in premiums written.

Premiums ceded

Premiums payable in respect of reinsurance ceded are recognized in the period in which the reinsurance contract is entered into and include estimates where the amounts are not

Provision for unearned premiums

The proportion of written premiums attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the consolidated income statement in the order that revenue is recognized over the period of risk or, for annuities, the amount of expected future benefit payments.

Fee and commission income

Insurance contract policyholders are charged for policy administration services, investment management services and for surrenders. The fee is recognized as revenue in the period in which it is received unless these relate to services to be provided in future periods.
Revenue from medical services rendered

Revenues from medical services are recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured on an accrual basis. When services are provided in exchange for dissimilar goods or services, the revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

Cost of Medical Services Rendered

Cost of medical services rendered represents expenses directly related to the generation of revenue from medical services rendered, including, but not limited to wages and salaries of medical personnel, cost of medicines and other inventory. Cost of medical services is expensed in the period in which the medical service is rendered.

Realized gains and losses recorded in the consolidated income statement

Realized gains and losses on the sale of property and equipment and of available for sale financial assets are calculated as the difference between net sales proceeds and the original or amortized cost. Realized gains and losses are recognized in the consolidated income statement when the sale transaction occurred.

Benefits and claims

Life insurance business claims reflect the cost of all claims incurred during the year, including claims handling costs. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Benefits recorded are then accrued to the liability.

General insurance claims incurred include all claim losses occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Foreign currency translation

The consolidated financial statements are presented in Georgian Lari, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Georgian Lari at official exchange rates declared by the National Bank of Georgia ("NBG") and effective as of the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated income statement as gains less losses from foreign currencies - translation differences, except where it relates to items where gains or losses are recognized directly in equity, the gain or loss is then recognized net of the exchange component in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In thousand GEL

NOTES (CONTINUED)

	Official currency rate of the National Bank of Georgia		
	USD	**EUR**	**GBP**
Exchange rate as at 31 December 2017	2.5922	3.1044	3.5005
Exchange rate as at 31 December 2016	2.6468	2.7940	3.2579
Average rate for the year ended 31 December 2017	2.5086	2.8322	3.2315
Average rate for the year ended 31 December 2016	2.3667	2.6172	3.2051

Use of estimates, assumptions and judgments

The preparation of the financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the reporting date, the actual outcome may differ from these estimates.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Claims liability arising from insurance contracts

The estimation of the ultimate liability arising from claims made under life and general insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

Life insurance contracts

For life insurance contracts there is no claims liability at the reporting date since the only life insurance product is an annual insurance contract, which may be renewed, that will pay out a fixed amount to a beneficiary when the insured person dies within that year.

General insurance contracts

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. General insurance claims provisions are not discounted for the time value of money.

Allowance for impairment of Insurance Receivables and Reinsurance Assets

The Company regularly reviews its insurance receivables and reinsurance assets to assess impairment. The allowance methodology has been consistently applied.

For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Triggering events include significant financial difficulty of the customer and/or breach of contract such as default of payment.

In thousand GEL

The amount of allowance is reduced by an amount of receivables which formally meet the criteria mentioned above, but in relation to which the Company has adequate reasons to believe that the amount of debt will be recovered.

Run-off analyses support this approach. Management judgment is that trends will not change in future and that this approach can be used to estimate the amount of recoverable debts as at the reporting period end.

Irrecoverable amounts and specific credit risks are written off by charging directly against gross premiums. Allowances for impairment based on past experience are necessary in respect of receivables due from policyholders and agents/brokers on direct insurance and in respect of counterparts on reinsurance.

Measurement of fair value of investment properties

Fair value of investment properties is determined by independent professionally qualified appraisers. Fair value is determined using the sales comparison method. The estimate is subject to change as new transaction data and market evidence becomes available.

3 CASH AND CASH EQUIVALENTS

	2017	**2016**
Cash on hand	7	53
Current accounts	1,895	1,076
Total	**1,902**	**1,129**

Cash and cash equivalents of JSC Insurance Company IC Group on standalone basis comprise GEL 1,887. The regulator requirement is to maintain minimum level of cash and cash equivalents at 10% of the insurance contract liabilities subject to reservation as defined by regulatory reserve requirement resolution, which as of reporting date amounts to GEL 77 (2016: GEL118).

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

4 AMOUNTS DUE FROM CREDIT INSTITUTIONS

	2017	**2016**
Amounts due from credit institutions	1,125	2,691
Total	**1,125**	**2,691**

Amounts due from credit institutions are represented by short-term (less than 12 months) placements with Georgian banks and earn annual interest of 1% to 4% (2016 – 3% to 8%).

Amounts due from credit institutions include GEL 218 (2016: GEL 488) of restricted deposits to secure insurance contract liabilities in accordance with regulatory requirement of Insurance State Supervision Service of Georgia.

In thousand GEL

NOTES (CONTINUED)

5 INSURANCE AND REINSURANCE RECEIVABLES

	2017	2016
Due from policyholders	8,793	8,530
Due from reinsurers	4,467	-
Less - allowance for impairment of policeholders	(4,472)	(4,528)
NET GAIN FROM TRADING SECURITIES	**8,788**	**4,002**

The carrying amounts disclosed above reasonably approximate their fair values at year end.

	2017	2016
0 – 30 days	141	190
31 – 60 days	40	835
61 – 90 days	57	80
91 – 180 days	70	127
181 – 270 days	63	125
270 - days	7,039	4,262
Total Current	*7,410*	*5,619*
Prospective	5,850	2,911
Total Debt	**13,260**	**8,530**
Allowance for impairment	(4,472)	(4,528)
Total net insurance and reinsurance receivable	**8,788**	**4,002**

6 LOANS ISSUED AND RECEIVABLES

Loans issued and receivables as of 31 December comprise:

	2017	2016
Loans issued and receivables	5,797	12,465
Less - allowance for impairment	(5,790)	(11,066)
Total	**7**	**1,399**

The loans receivable (principal and interest at amortized cost) comprise:

	2017	2016
Loans issued to individuals	7	27

In thousand GEL

NOTES (CONTINUED)

Loans issued to legal entity	-	1,372
Total	**7**	**1,399**

The loans issued to individuals have an interest rate from 11% to 14%. Carrying amounts of loans issued and receivables approximate their fair value as of the reporting date. Maturity date of the loans issued to individuals is January 2018.

7 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

Insurance contract liabilities and reinsurance assets as of 31 December comprise:

	2017	2016
Insurance contract liabilities		
Unearned premiums provision	4,909	5,069
Provisions for claims reported by policyholders	8,762	10,686
Provisions for claims incurred but not reported (IBNR)	254	193
Total insurance contract liabilities	**13,925**	**15,948**
Reinsurance assets		
Reinsurers' share in unearned premiums provision	1,859	3,648
Reinsurers' share in provisions for claims reported by policyholders	7,760	9,925
Reinsurers' share in provisions for claims incurred but not reported	-	-
Reinsurers' share in Loss adjustment expenses reserve	-	-
Total reinsurance assets	**9,619**	**13,573**
Insurance contracts liabilities net of reinsurance		
Unearned premiums provision	3,050	1,421
Provisions for claims reported by policyholders	1,002	761
Provisions for claims incurred but not reported (IBNR)	254	193
Total insurance contracts liabilities net of reinsurance	**4,306**	**2,375**

At 31 December 2017 provisions for claims reported by policyholders and reinsurers' share in provision includes GEL 6,267 and GEL 6,267 (2016: GEL 6,399 and GEL 6,399) respectively related to the reported loss on Aviation Hull and TPL (Third Party Liability) policy by Georgian Airways. The policy was 100% reinsured under the reinsurance treaty signed with insurance broker Marsh Ltd.

In thousand GEL

NOTES (CONTINUED)

Insurance contract liabilities as of 31 December comprise:

		2017			2016		
	Notes	***Insurance contract liabilities***	***Reinsurers' share of insurance contract liabilities***	***Net***	***Insurance contract liabilities***	***Reinsurers' share of insurance contract liabilities***	***Net***
Life insurance	(a)	389	155	234	197	103	94
General insurance	(b)	13,536	9,464	4,072	15,751	13,470	2,281
Total insurance contract liabilities		**13,925**	**9,619**	**4,306**	**15,948**	**13,573**	**2,375**

(a) The movement during the year in the life insurance contract liabilities is as follows:

	2017			2016		
	Insurance contract liabilities	***Reinsurers' share of liabilities***	***Net***	***Insurance contract liabilities***	***Reinsurers' share of liabilities***	***Net***
At 1 January	**197**	**103**	**94**	**186**	**-**	**186**
Premiums written during the year	389	108	**281**	211	263	**(52)**
Premiums earned during the year	(221)	(83)	**(138)**	(227)	(224)	**(3)**
Claims incurred during the current accident year	28	31	**(3)**	62	92	**(30)**
Claims paid during the year	(4)	(3)	**(1)**	(35)	(28)	**(7)**

In thousand GEL

NOTES (CONTINUED)

At 31 December	**389**	**156**	**233**	**197**	**103**	**94**

(b) General insurance contract liabilities may be analyzed below. Provision for claims settlement expenses is included in the gross insurance contract liabilities.

		2017			2016		
		Insurance contract liabilities	***Reinsurers' share of liabilities***	***Net***	***Insurance contract liabilities***	***Reinsurers' share of liabilities***	***Net***
Provisions for claims reported by policyholders		8,624	7,669	**955**	10,560	9,862	**698**
Provisions for claims incurred but not reported		239	-	**239**	190	-	**190**
Outstanding claims provision	**(1)**	**8,863**	**7,669**	**1,194**	**10,750**	**9,862**	**888**
Provision for unearned premiums	(2)	4,673	1,795	**2,878**	5,001	3,608	**1,393**
Provision for loss adjustment expenses		-	-	**-**	-	-	**-**
Total general insurance contracts liabilities		**13,536**	**9,464**	**4,072**	**15,751**	**13,470**	**2,281**

(1) The provision for claims reported by policy holders, claims paid during the year and loss adjusting expenses may be analyzed as follows:

	2017			2016		
	Insurance contract liabilities	***Reinsurers' share of liabilities***	***Net***	***Insurance contract liabilities***	***Reinsurers' share of liabilities***	***Net***
At 1 January	**10,750**	**9,862**	**888**	**8,008**	**6,648**	**1,360**

In thousand GEL

Claims incurred during the current accident year	4,721	1,496	**3,225**	11,141	12,795	**(1,654)**
Claims paid during the year	(6,609)	(3,688)	**(2,921)**	(8,399)	(9,581)	**1,182**
At 31 December	**8,862**	**7,670**	**1,192**	**10,750**	**9,862**	**888**

(2) The provision for unearned premiums may be analyzed as follows:

	2017			**2016**		
	Insurance contract liabilities	***Reinsurers' share of liabilities***	***Net***	***Insurance contract liabilities***	***Reinsurers' share of liabilities***	***Net***
At 1 January	**5,001**	**3,608**	**1,393**	**5,602**	**2,513**	**3,089**
Premiums written during the year	10,930	3,925	**7,005**	14,616	15,213	**(597)**
Premiums earned during the year	(11,258)	(5,739)	**(5,519)**	(15,217)	(14,118)	**(1,099)**
At 31 December	**4,673**	**1,794**	**2,879**	**5,001**	**3,608**	**1,393**

Insurance contract liabilities and reinsurance assets - terms, assumptions and sensitivities

Life insurance contracts

Life insurance contracts offered by the Company only consist of annually renewable term conventional insurance contracts where lump sum benefits are payable on death.

Premiums for life insurance contracts are based on premiums set by the reinsurance company. These annually renewed insurance contracts only pay a lump sum benefit when the insured person dies within that year. At the reporting date, the pro rata premium for the policy year that is not yet earned, is deferred in the caption Insurance Contract Liabilities.

General insurance contracts

The major classes of general insurance written by the Company include cargo, motor, household, property, freight forwarding liability, professional indemnity, financial risk, health and aviation. Risks under these policies usually cover twelve month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date.

In thousand GEL

The provisions are refined monthly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

Assumptions

For the calculation of the IBNR reserve including the liability adequacy test refer to Note 3 - Summary of significant accounting policies, Insurance contract liabilities.

Insurance contract liabilities on insurance business written in Georgia significantly depends on fluctuations in currency exchange rates as the insurance values on these contracts are denominated in US dollars (see analysis of currency risk in the Note 30 - Risk Management).

8 INCOME TAX

The corporate income tax benefit comprises:

	2017	**2016**
Current tax	(400)	781
Deferred tax credit - origination and reversal of temporary differences	15	(540)
Income tax expense (benefit)	**(385)**	**241**

Georgia currently has a number of laws related to various taxes imposed by state governmental authorities. Applicable taxes include value added tax, corporate income tax (profits tax), and a turnover based tax, together with others. Laws relating to these taxes have not been in force for significant periods in contrast to more developed market economies.

Therefore, regulations are often unclear or non-existent and few precedents have been established. This creates tax risks in Georgia substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Company is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

The Company’s operations and financial position will continue to be affected by Georgian political developments, including the application and interpretation of existing and future legislation and tax regulations. Such possible occurrences and their effect on the Company could have a material impact on the Company’s operations or its financial position in Georgia.

	2017	**2016**
Current income tax asset	-	16
Deferred income tax asset	2,133	3,078
Total tax assets	**2,133**	**3,094**

9 INVESTMENT PROPERTY

	2017	**2016**

At 1 January	**2,080**	**1,413**
Additions	-	-
Fair value gains / (loss)	(54)	667
Sales	(174)	-
At 31 December	**1,852**	**2,080**

As at 31 December, 2017, investment properties of the Company comprise land in Mtskheta Region. As at 31 December, 2017 this property was not used in the supply of services or for administrative purposes and it was not held for sale in the ordinary course of business, thus it is not classified as owner-occupied property. This asset was held for undetermined future use and thus classified as investment property in accordance with IAS 40. Part of the investment property was sold during the year, as shown above.

The fair value of the Group's investment property as at 31 December 17 at February 8, 2018, as well as at 31 December, 2016 was determined based on the valuation report of independent professional valuators of Expert Group Ltd. The valuators hold all relevant professional qualification and have recent experience in the location and category of the investment properties valued. Valuations were conducted in accordance with International Valuation Standards, which provides the level 3 market comparable approach.

10 PROPERTY PLANT AND EQUIPMENT

	Land and buildings	Motor vehicles	Medical equipment	Office Equipment	Furniture and fixtures	Leasehold improvement	Total
Gross book value							
1-Jan-16	**3,218**	**181**	**1,422**	**776**	**420**	**1,501**	**7,518**
Additions	-	-	-	25	18	-	**43**
Disposals	-	-	(5)	-	(21)	-	**(26)**
31-Dec-16	**3,218**	**181**	**1,417**	**801**	**417**	**1,501**	**7,535**
Accumulated depreciation							
1-Jan-16	**641**	**149**	**804**	**704**	**386**	**1,087**	**3,771**
Depreciation charge	158	12	254	38	49	157	**668**
Disposals	-	(10)	(2)	-	(1)	-	**(13)**
31-Dec-16	**799**	**151**	**1,056**	**742**	**434**	**1,244**	**4,426**
Net book value							
1-Jan-16	**2,577**	**32**	**618**	**72**	**34**	**414**	**3,747**

In thousand GEL

NOTES (CONTINUED)

31-Dec-16	**2,419**	**30**	**361**	**59**	**(17)**	**257**	**3,109**

Gross book value	Land and buildings	Motor vehicles	Medical equipment	Office Equipment	Furniture and fixtures	Leasehold improvement	Total
1-Jan-17	**3,218**	**181**	**1,417**	**801**	**417**	**1,501**	**7,535**
Additions	1,431	-	-	32	10	-	**1,473**
Disposals	(3,218)	(181)	(1,417)	(117)	(23)	(352)	**(5,308)**
31-Dec-17	**1,431**	**-**	**-**	**716**	**404**	**1,149**	**3,700**
Accumulated depreciation							
1-Jan-17	**799**	**151**	**1,056**	**742**	**434**	**1,244**	**4,426**
Depreciation charge	60	3	-	21	17	88	**189**
Disposals	(799)	(154)	(1,056)	(105)	(83)	(216)	**(2,413)**
31-Dec-17	**60**	**-**	**-**	**658**	**368**	**1,116**	**2,202**
Net book value							
1-Jan-17	**2,419**	**30**	**361**	**59**	**(17)**	**257**	**3,109**
31-Dec-17	**1,371**	**-**	**-**	**58**	**36**	**33**	**1,498**

11 DEFERRED ACQUISITION COST

	2017	2016
At 1 January	**332**	**327**
Incurred	1,179	1,185
Amortized	(1,097)	(1,180)
At 31 December	**414**	**332**

	2017	2016
Live insurance	**104**	**1**
General insurance	**310**	**331**

In thousand GEL

NOTES (CONTINUED)

Total	**414**	**332**

Deferred Acquisition cost for the year ended 31 December 2017 will be realized within 12 month amounted GEL 412
Deferred acquisition cost for the year ended 31 December 2017 will be realized within 12 month amounted GEL 331

12 OTHER ASSETS

	2017	**2016**
Subrogation receivable	2,796	2,674
Advances and prepayments	418	1,355
Prepaid operating taxes	-	1,233
Miscellaneous receivables	713	969
Inventory	297	460
Receivable from subsidiaries sale	-	103
Other	1,070	2,072
	5,294	**8,866**
Allowance for impairment of other assets		
Subrogation receivable	(2,712)	(3,326)
Inventory	(81)	(80)
Advances and prepayments	(38)	(57)
Miscellaneous	(175)	(31)
Other	(959)	(321)
	(3,965)	**(3,815)**
Total	**1,329**	**5,051**

As of 31 December, 2017, advances and prepayments of the Company include GEL 116 (2016: GEL 164) advances paid to clinics.
Inventory is related to the stock of medical supplies and motor vehicles left after the total loss insurance cases.

	subrogation receivable
at 31 December 2015	**2,553**
Accrued	258
Received	(137)
at 31 December 2016	**2,674**
Accrued	257
Received	(135)
At 31 December 2017	**2,796**

In thousand GEL

NOTES (CONTINUED)

13 OTHER INSURANCE LIABILITIES

Other insurance liabilities as of 31 December include:

	2017	2016
Reinsurance payables	3,718	1,674
Claims payable life insurance	4	17
Claims payable general insurance	2,436	2,716
Claims payable	**2,440**	**2,733**
Total	**6,158**	**4,407**

14 FINANCIAL LIABILITIES

	2017	2016
Bank loans	-	3,176
Short term	522	2,778
Total	**522**	**5,954**

As at 31 December 2017:

	Staring Date	maturity date	Interest Rate	Currency	Amount
loan from individual	29-Dec-17	29-Dec-18	13%	GEL	130
loan from individual	29-Dec-17	29-Dec-18	7%	USD	388
LTD Akhali Samedicino Centri	31-Jan-17	31-Mar-17	8%	USD	1
IIC LLC	30-Dec-16	30-Mar-17	3%	GEL	3
Total current borrowings					**522**
Loan principal					520
Interest payable					2
Total current borrowings					**522**

As at 31 December 2016:

	Staring Date	maturity date	Interest Rate	Currency	Amount

In thousand GEL

NOTES (CONTINUED)

Georgia Media Exchange LLC	31-May-16	7-Sep-16	14.00%	GEL	12
JSC Silk Road Bank	10-Jun-16	10-Dec-16	14.00%	GEL	3
loan from individual	28-Oct-16	7-Nov-16	4.00%	EUR	2
loan from individual	7-Nov-16	28-Jan-17	4.00%	USD	1,476
loan from individual	30-Dec-16	30-Mar-17	8.00%	USD	1,014
loan from individual	30-Dec-16	30-Jan-17	14.00%	GEL	198
IIC Georgia B.V	30-Dec-16	30-Mar-17	3.00%	GEL	70
JSC TBC Bank	28-Dec-11	5-Jul-18	13.00%	USD	1,591
JSC VTB Bank Georgia	28-Dec-11	5-Jul-18	13.00%	USD	1,588
Total current borrowings					**5,954**
Loan principal					5,946
Interest payable					8
Total current borrowings					**5,954**

15 TRADE PAYABLES

	2017	2016
Payables to legal entities	423	796
Payables to individuals	4	4
Total	**427**	**800**

16 OTHER LIABILITIES

	2017	2016
Accruals for employee Compensation	114	126
Operating taxes payable	570	2,115
Advances Received	108	733
Other	427	562
Total	**1,219**	**3,536**

17 EQUITY

The share capital of the Company was contributed by the shareholders in Georgian Lari and shareholders are entitled to dividends and any capital distribution in Georgian Lari. No dividends were declared during 2017 or 2016. During the year 2017 additional shareholders contribution of GEL 930 was made.

In thousand GEL

NOTES (CONTINUED)

Regulatory capital requirements in Georgia are set by the insurance regulator and are applied to the Company solely on a standalone basis. The regulatory requirement is to maintain a minimum Capital of GEL 2,200, 100% of which should be kept as amounts due from credit institutions. JSC Insurance Company IC Group comply with the regulatory capital requirements as of 31 December, 2017. For the detailed information refer to the note N27

18 NET INSURANCE REVENUE

	2017	2016
Premium written on life insurance contracts	389	211
Premium written on general insurance contracts, direct	10,930	14,616
Total written premium	**11,319**	**14,827**
Gross change in life provision	(168)	16
Gross change in unearned premium provision	328	601
Total gross earned premiums on insurance contracts	**11,479**	**15,444**
Reinsurers' share of life insurance contracts premium revenue	(108)	(263)
Reinsurers' share of general insurance contracts premium revenue, direct	(3,925)	(15,213)
Reinsurers' share of change in life provision	25	39
Reinsurers' share of change in general insurance contracts unearned premium provision	(1,814)	1,095
Total reinsurers' share of gross earned premiums on insurance contracts	**(5,822)**	**(14,342)**
Net insurance revenue	**5,657**	**1,102**

19 INTEREST INCOME AND INTEREST EXPENSE

Interest expense and interest income from financial assets comprise:

	2017	2016
Interest income		
Amounts due from credit institutions	98	118
Loans issued and receivables	108	1,116
Cash and cash equivalents	5	19
Total interest income	**211**	**2,253**
Interest expense		
Bank loans and overdrafts	(75)	(601)
Net interest (expense)/income	**136**	**652**

20 REVENUE FROM MEDICAL SERVIE RENDERED

In thousand GEL

NOTES (CONTINUED)

	2017	2016
Revenue from government programs	-	495
Other revenue from medical services	-	-
Total	**-**	***495***

Company's revenue from medical services was generated by it's subsidiaries Medical Park Georgia LLC. There is no revenue from medical service in the year 2017 because of the sale of the above mentioned subsidiaries.

21 OTHER OPERATING INCOME AND EXPENSE

	2017	2016
Other operating income		
PPE Revaluation	1,062	-
Sale of PPE	10	-
Other	283	508
Total other operating income	**1,355**	**508**
Other operating expense		
Penalties imposed	-	22
Discount expense	-	32
Sale of other investments	14	-
Cost of sale of PPE	4	13
Other	336	286
Other operating expenses	**354**	**353**
Other operating income less other operating expenses	**1,001**	**155**

22 NET INSURANCE CLAIMS INCURED

	2017	2016

In thousand GEL

NOTES (CONTINUED)

Life insurance claims paid	(4)	(35)
General insurance claims paid, direct	(6,609)	(8,399)
Total insurance claims paid	**(6,669)**	**(8,434)**
Reinsurers' share of life insurance claims paid	3	28
Reinsurers' share of general claims paid	3,689	9,582
Gross change in total insurance contracts liabilities	1,863	(2,770)
Reinsurers' share of change in total insurance contracts liabilities	(2,165)	3,277
Net insurance claims incurred	**(3,279)**	**1,683**

23 SALARIES AND OTHER INSURANCE BENEFITS

Salaries and other employee benefits comprise:	**2017**	**2016**
Salaries	(2,068)	(1,829)
Bonuses	-	-
Insurance and other benefits	(22)	(281)
Total	**(2,090)**	**(2,110)**

24 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise:	**2017**	**2016**
Occupancy and rent	(369)	(388)
Communications	(57)	(49)
Legal and consultancy	(136)	(250)
Transportation	(41)	(41)
Utilities	(37)	(40)
Security	(5)	(5)
Marketing and advertising	(225)	(772)
Bank fees and commissions	(23)	(31)
Business travel and related expenses	(29)	(29)
Printing	(22)	(55)
Representative expenses	(34)	(47)
Office supplies	(22)	(20)
Repair and maintenance of property and equipment	(17)	(35)
Charity	-	(19)
Other	(202)	(627)
Total	**(1,219)**	**(2,408)**

25 ALLOWANCE FOR IMPAIRMENT AND PROVISION

In thousand GEL

NOTES (CONTINUED)

	Insurance and reinsurance receivables	Loans issued and receivables	Other assets	Total
31-Dec-15	**4,122**	**8,579**	**3,673**	**16,374**
Charge	407	2,487	142	**3,036**
Reversal	-	-	-	**-**
Write-off	-	-	-	**-**
31-Dec-16	**4,529**	**11,066**	**3,815**	**19,410**
Charge	-	942	264	**1,206**
Reversal	(57)	-	-	**(57)**
Write-off	-	(6,218)	(116)	**(6,334)**
31-Dec-17	**4,472**	**5,790**	**3,965**	**14,225**

26 ACQUISITION INCOME (COST), NET OF REINSURANCE

	2017	2016
DAI	754	6,507
Change in DAI	794	(851)
DAC	(1,179)	(1,185)
Change in DAC	82	5
Total	**451**	**4,476**

27 RISK MANAGEMENT

The activities of the Company are exposed to various risks. Risk management therefore is a critical component of its insurance activities. Risk is inherent in the Company’s activities but is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls. Each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The main financial risks inherent in the Company’s operations are those related to credit, liquidity and market movements in interest and foreign exchange rates and equity prices. A summary description of the Company’s risk management policies in relation to those risks follows.

The primary objective of the Company’s risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company’s performance objectives, including failing to exploit opportunities. The Company recognizes the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with terms of reference for the executive management board. Management board delegates to respective members of senior management responsibilities for overseeing compliance with established risk management policies.

The management board approves the Company risk management policies and meets regularly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Company’s identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

-To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.

- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to funds available from financial institutions.
- To maintain financial strength, to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

The operations of the Company are also subject to local regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions e.g. Capital adequacy to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The Company's capital management policy for its insurance and non-insurance business is to hold sufficient liquid assets to cover statutory requirements based on the regulatory directives.

Approach to capital management

The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to shareholders and policyholders.

The Company’s approach to managing capital involves managing assets, liabilities and risks in a co-ordinated manner, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company.

The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Capital Management

The insurance sector in Georgia is regulated by the Insurance State Supervision Service of Georgia (“ISSSG”). The ISSSG imposes minimum capital requirements for insurance companies. These requirements are put in place to ensure sufficient solvency margins.

According to the ISSSG directive №04, issued on 20 April 2015, the minimum capital throughout the period should be not less than GEL 2,200 thousand and the Company should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances. If the company will not be in compliance with the externally imposed capital requirements from ISSSC there will be the issue related to going concern.

During the period insurance company decreased deposited funds on bank account several times. Related to this issue company has informed ISSSG. For the information related to the deposited amount refer to the note N31.

Insurance risk

NOTES (CONTINUED)

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The Company establishes underwriting guidelines and limits, which stipulate who may accept what risks and the applicable limits. These limits are continuously monitored.

The Company primarily uses loss ratio and expense ratio to monitor its insurance risk. Loss ratio is defined as net insurance claims divided by net insurance revenue. Expense ratio is defined as operating expenses excluding interest expense divided by net insurance revenue. The Company's loss ratios and expense ratios calculated on a net basis were as follows:

	2017	**2016**
Loss ratio	58%	-153%
Expense ratio	80%	393%

The business of the Company comprises both life and general insurance contracts.

Life insurance contracts

The Company writes life insurance contracts, where the life of the policyholder is insured against death or permanent disability, usually for a pre-determined amount.

The table below sets out the concentration of insured life benefits across 4 bands (band limits are in thousands of GEL).

	Gross claims liabilities	**Reinsurers share of claims liabilities**	**Net claims liabilities**
Claims liabilities per life insured at 31 December, 2017			
GEL 0-100 thousand	153	91	**62**
100-200 thousand	-	-	**-**
200-1000 thousand	-	-	**-**
Greater than 1,000 thousand	-	-	**-**
Total	**153**	**91**	**62**
Claims liabilities per life insured at 31 December, 2016			
GEL 0-100 thousand	129	-	**129**

In thousand GEL

NOTES (CONTINUED)

100-200 thousand	-	-	-
200-1000 thousand	-	-	-
Greater than 1,000 thousand	-	-	-
Total	**129**	**-**	**129**

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all cost. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Currently, insured risks do not vary significantly in relation to the location of the risk insured by the Company whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis. For contracts where death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. A Company does not reinsure the life insurance portfolio due to the avoidance of all high risk individual Company's insurance.

The geographical concentration of the Company's insurance liabilities at 31 December, 2017 and 2016 is as follows. The disclosure is based on the countries where the insurance business is written. Direct insurance business written is taken in Georgia

	Gross claims liabilities	Reinsurers share of claims liabilities	Net claims liabilities
Claims liabilities per life insured at 31 December, 2017			
Georgia	153	91	**62**
Total	**153**	**91**	**62**
Claims liabilities per life insured at 31 December, 2016			
Georgia	129	-	**129**
Total	**129**	**-**	**129**

General insurance contracts

The Company principally issues the following types of general insurance contracts: third party motor own damage, property, financial risks, health, guarantees, cargo, freight forwarding liability, general third party liability, motor third party liability, professional indemnity, marine hull, aviation hull, aviation TPL. Risks under non-life insurance policies usually cover twelve month duration.

In thousand GEL

For general insurance contracts the most significant risks arise from changes in loss frequency and loss severity. For healthcare contracts the most significant risks arise from lifestyle changes and epidemic.

These risks vary significantly in relation to the type of risk insured and by industry. Undue concentration by amounts can have a further impact on the severity of benefit payments on a portfolio basis.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, for example hurricanes, earthquakes and flood damages.

The table below sets out the concentration of general insurance contract liabilities by type of contract.

	2017			**2016**		
	Gross claims liabilities	**Reinsurers' share of claims liabilities**	**Net claims liabilities**	**Gross claims liabilities**	**Reinsurers' share of claims liabilities**	**Net claims liabilities**
Aviation	6,285	6,282	3	7,557	7,554	3
Healthcare	465	12	453	895	864	31
Motor	186	-	186	316	10	306
Liability	1,036	890	146	1,069	895	174
Property	319	277	42	546	482	64
Agriculture	140	98	42	102	42	60
Cargo	272	92	180	108	53	55
Personal accident	28	19	9	44	25	19
Travel	126	-	127	105	-	105
Financial risks	6	-	6	8	-	8
Total	**8,863**	**7,670**	**1,194**	**10,750**	**9,925**	**825**

For general insurance contracts, the most significant risks arise from changes in loss frequency and loss severity in motor and financial risks insurance and increases in prices of medical services. These risks vary significantly in relation to the location of the risk insured by the Company, and the type of risks insured.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio.

The variability of risks is also improved by careful selection and implementation of underwriting strategies. The Company establishes underwriting guidelines and limits that stipulate who may accept risks, their nature and applicable limits. These limits are continuously monitored. Strict claim review policies to assess all new and ongoing claims, as well as the investigation of possible fraudulent claims are in place. The Company also enforces a policy of actively managing and promptly processing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

In thousand GEL

Business ceded is placed on different terms (quota share, excess of loss) with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the consolidated statement of financial position as reinsurance assets.

The geographical concentration of the Company's insurance liabilities at 31 December, 2017 and 2016 is as follows. The disclosure is based on the countries where the insurance business is written. Direct insurance business written is taken in Georgia only and the reinsurance companies are all based outside Georgia.

	2017			2016		
	Gross claims liabilities	**Reinsurers' share of claims liabilities**	**Net claims liabilities**	**Gross claims liabilities**	**Reinsurers' share of claims liabilities**	**Net claims liabilities**
Georgia	8,863	7,670	1,193	10,750	9,925	825
Total	**8,863**	**7,670**	**1,193**	**10,750**	**9,925**	**825**

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk it accepts through a comprehensive group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty or group of counterparties, geographical and industry segments; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

The following is a brief description of how the Company manages its credit risk exposure:

Reinsurance

Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any reinsurance contract. There is no single counterparty exposure that exceeds 99% of total reinsurance assets at the reporting date. The Company evaluates the financial condition of its reinsurers regularly.

Insurance and reinsurance receivables

In thousand GEL

The Company sets the maximum amounts and limits that may be advanced to / placed with individual corporate counterparties which are set by reference to their long term ratings.

The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document on the expiry of which the policy is either paid up or terminated.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Company through internal credit assessment procedures. The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position, based on the Company's credit assessment system.

	Neither past due nor impaired 2017	**Past-due but not impaired 2017**	**Total 2017**
Amounts due from credit institutions	1,125	-	**1,125**
Insurance and reinsurance receivables:			
Insurance receivables	3,752	569	**569**
Reinsurance receivables	4,467	-	4,467
Total	**9,344**	**569**	**6,161**

	Neither past due nor impaired 2016	**Past-due but not impaired 2016**	**Total 2016**
Amounts due from credit institutions	2,691	-	**2,691**
Insurance and reinsurance receivables:			
Insurance receivables	3,432	569	**4,001**
Total	**6,123**	**569**	**6,692**

Insurance and reinsurance receivables that are neither past due nor impaired include insurance and reinsurance receivables that are not past due more than 30 days as of the reporting date. Insurance and reinsurance receivables that are past due but not impaired include insurance and reinsurance receivables overdue for more than 30 days. The Company does not have a credit rating system to evaluate past due but not impaired receivables.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

In thousand GEL

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and the maturity of debt securities.

The Company manages liquidity through a Company liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; setting up of contingency funding plans; specify the sources of funding and the events that would trigger the plan; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The table below analyses assets and liabilities of the Company into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

31-Dec-17	**Within one year**	**More than one year**	**Total**
Assets:			
Cash and cash equivalents	1,902	-	**1,902**
Amounts due from credit institutions	1,125	-	**1,125**
Insurance and reinsurance receivables	8,788	-	**8,788**
Loans issued and receivables	7	-	**7**
Reinsurance assets	3,330	6,289	**9,619**
Deferred income tax asset	-	1,934	**1,934**
Other assets	1,329	-	**1,329**
Total assets	**16,481**	**8,223**	**24,704**
Liabilities:			
Insurance contract liabilities	7,625	6,300	**13,925**
Other insurance liabilities	6,158	-	**6,158**
Financial liabilities	522	-	**522**
Deferred income tax liability	-	-	**-**
Other liabilities	1,646	-	**1,646**

In thousand GEL

NOTES (CONTINUED)

Total liabilities	**15,951**	**6,300**	**22,251**
Net position	**530**	**1,923**	**2,453**
Accumulated gap	***530***	***2,453***	

31-Dec-16	Within one year	More than one year	Total
Assets:			
Cash and cash equivalents	1,129	-	**1,129**
Amounts due from credit institutions	2,691	-	**2,691**
Insurance and reinsurance receivables	4,001	-	**4,001**
Reinsurance assets	1,399	-	**1,399**
Loans issued and receivables	7,162	6,411	**13,573**
Current income tax asset	16	-	**16**
Deferred income tax asset	-	3,078	**3,078**
Other assets	5,051	-	**5,051**
Total assets	**21,449**	**9,489**	**30,938**
Liabilities:			
Insurance contract liabilities	9,537	6,411	**15,948**
Other insurance liabilities	4,407	-	**4,407**
Financial liabilities	2,778	3,176	**5,954**
Deferred income tax liability	-	-	**-**
Other liabilities	4,336	-	**4,336**
Total liabilities	**21,058**	**9,587**	**30,645**
Net position	**391**	**(98)**	**293**
Accumulated	***391***	***293***	

In thousand GEL

gap

The amounts and maturities in respect of insurance liabilities are based on management's best estimate based on statistical techniques and past experience.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December, 2017 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

Financial liabilities	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 December 2017					
Financial liabilities	164	358	-	-	522
Total undiscounted financial liabilities	**164**	**358**	**-**	**-**	**522**
As at 31 December 2016					
Financial liabilities	2,778	-	3,176	-	5,954
Total undiscounted financial liabilities	**2,778**	**-**	**3,176**	**-**	**5,954**

Geographical concentration

The geographical concentration of the Company's assets and liabilities at 31 December, 2017 and 2016 is as follows. The disclosure is based on the countries where the insurance business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated.

	Georgia	OECD countries	Non-OECD countries	Total
As at 31 December 2017				
Assets:				
Loans issued and receivables	7	-	-	**7**
Reinsurance assets	1,172	3,203	5,244	**9,619**
Deferred income tax assets	1,934	-	-	**1,934**
Other assets	1,329	-	-	**1,329**
Insurance and reinsurance receivables	8,788	-	-	**8,788**
Amounts due from credit institutions	1,125	-	-	**1,125**
Cash and cash equivalents	1,902	-	-	**1,902**

In thousand GEL

NOTES (CONTINUED)

Total assets	**16,257**	**3,203**	**5,244**	**24,704**

	Georgia	OECD countries	Non-OECD countries	Total
Liabilities:				
Insurance contracts liabilities	13,925	-	-	**13,925**
Other insurance liabilities	1,315	3,369	1,474	**6,158**
Financial liabilities	522	-	-	**522**
Other liabilities	1,646	-	-	**1,646**
Total liabilities	**17,408**	**3,369**	**1,474**	**22,251**
Net position	**(1,151)**	**(166)**	**3,770**	**2,453**

	Georgia	OECD countries	Non-OECD countries	Total
As at 31 December 2016				
Assets:				
Loans issued and receivables	1,399	-	-	**1,399**
Reinsurance assets	1,172	7,157	5,244	**13,573**
Deferred income tax assets	3,078	-	-	**3,078**
Current income tax assets	16	-	-	**16**
Other assets	5,051	-	-	**5,051**
Insurance and reinsurance receivables	4,001	-	-	**4,001**
Amounts due from credit institutions	2,691	-	-	**2,691**
Cash and cash equivalents	1,129	-	-	**1,129**
Total assets	**18,537**	**7,157**	**5,244**	**30,938**
Liabilities:				
Insurance contracts liabilities	15,948	-	-	**15,948**
Other insurance liabilities	1,315	1,618	1,474	**4,407**
Financial liabilities	5,954	-	-	**5,954**
Other liabilities	4,336	-	-	**4,336**
Total liabilities	**27,553**	**1,618**	**1,474**	**30,645**
Net position	**(9,016)**	**5,539**	**3,770**	**293**

In thousand GEL

Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchanges.

The Company has exposure to market risks. Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company structures levels of market risk it accepts through a Company market risk policy that determines what constitutes market risk for the Company; basis used to fair value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument and geographical area; sets out the net exposure limits by each counterparty or Company of counterparties, geographical and industry segments; control over hedging activities; reporting of market risk exposures and breaches to the monitoring authority; monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment, periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margins.

Interest rate risk

All financial instruments bear fixed interest rate. Thus no significant interest risk exposure currently exists.

Currency risk

The Company is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company's principal transactions are carried out in Georgian lari and its exposure to foreign exchange risk arise primarily with respect to US dollars and euro, as the insurance operations denominated in US dollars form a significant part of the Company's operations.

The Company’s financial assets are primarily denominated in the same currencies as its insurance liabilities, which mitigate the foreign currency exchange rate risk for the overseas operations. Thus the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance and investment liabilities are expected to be settled.

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2014 and 2013 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian lari, with all other variables held constant on the consolidated income statement. A negative amount in the table reflects a potential net reduction in consolidated income statement, while a positive amount reflects a net potential increase:

	2017			
	GEL	**USD**	**EUR**	**Total**
Financial assets:				
Cash and cash equivalents	400	1,501	1	**1,902**
Amounts due from credit institutions	-	1,000	125	**1,125**
Loans issued and receivables	-	7	-	**7**

In thousand GEL

NOTES (CONTINUED)

Insurance and reinsurance receivables	1,702	7,041	45	**8,788**
Reinsurance assets	5,299	4,287	33	**9,619**
Total financial assets	**7,401**	**13,836**	**204**	**21,441**
Financial liabilities:				
Insurance contracts liabilities	6,639	7,188	98	**13,925**
Other insurance liabilities	881	5,262	15	**6,158**
Financial liabilities	133	389	-	**522**
Other liabilities	1,646	-	-	**1,646**
Total financial liabilities	**9,299**	**12,839**	**113**	**22,251**
Net position	**(1,898)**	**997**	**91**	**(810)**

	2016			
	GEL	**USD**	**EUR**	**Total**
Financial assets:				
Cash and cash equivalents	964	163	2	**1,129**
Amounts due from credit institutions	300	2,279	112	**2,691**
Loans issued and receivables	64	1,335	-	**1,399**
Insurance and reinsurance receivables	1,646	2,306	49	**4,001**
Reinsurance assets	924	12,637	12	**13,573**
Total financial assets	**3,898**	**18,720**	**175**	**22,793**

	2016			
	GEL	**USD**	**EUR**	**Total**
Financial liabilities:				
Insurance contracts liabilities	4,435	11,381	132	**15,948**
Other insurance liabilities	2,880	1,523	4	**4,407**
Financial liabilities	286	5,668	-	**5,954**
Other liabilities	4,336	-	-	**4,336**
Total financial liabilities	**11,937**	**18,572**	**136**	**30,645**
Net position	**(8,039)**	**148**	**39**	**(7,852)**

The Company’s principal cash flows (revenues, operating expenses) are largely generated in Georgian lari. As a result, future movements in the exchange rate between the Georgian lari and US dollar will affect the carrying value of the Company’s US dollar denominated monetary assets and liabilities. Such changes may also affect the Company’s ability to realize investments in non-monetary assets as measured in USD in these financial statements.

In thousand GEL

Price risk

The Company's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices. The Company did not have such financial assets or liabilities as of 31 December, 2017 and 2016.

28 RELATED PARTY TRANSACTIONS

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2017		**2016**	
	Parent	**Entities under common control**	**Parent**	**Entities under common control**
Assets				
Insurance and reinsurance receivables	1	-	-	-
	1	**-**	**-**	**-**
Liabilities				
Loans payable	680	-	2,760	-
	680	**-**	**2,760**	**-**
Income and expenses				
Insurance premium	8	-	7	-
Interest expense on financial liabilities	61	-	11	-
	69	**-**	**18**	**-**

Compensation of key management personnel (2017: 4 persons; 2016: 4 persons) comprised the following:

	2017	**2016**
Salaries and bonuses	335	333
Total key management compensation	**335**	**333**

Remuneration of Consultation Committee (2017: members, 2016: 1 member) comprised the following:

In thousand GEL

NOTES (CONTINUED)

	2017	2016
Salaries and other benefits	-	75
Total Consultation Committee remuneration	**-**	**75**

Members of the committee are responsible for provision of consultations regarding the strategic directions of the Company.

29 COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company is subject to legal actions and complaints. Provisions for the probable result pf current legal claims were recognised in the financial statements. Management believes that the ultimate liability, if any, arising from any of these actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

Georgian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and federal authorities. Recent events within the Georgia suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unassisted claims that may manifest, if any, or the likelihood of any unfavourable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax, currency and customs positions will be sustained.

As of 31 December, the Company’s financial commitments and contingencies comprised the following:

	2017	2016
Operating lease commitments:		
Not later than 1 year	367	367
Later than 1 year but not later than 5 years	965	965
Financial commitments and contingencies	**1,332**	**1,332**

For the reporting date against the company has been court claims amounted GEL 757 the subject of the claim has been insurance claim reimbursement. According to the assessment of company’s management and attorney probability to win the suit is high.

30 GOING CONCERN CONSIDERATIONS

These financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the normal course of business of the Group.

The management believes that the Group will continue its operations in the foreseeable future without significant limitations and thus the financial statements should be prepared on a going concern basis.

NOTES (CONTINUED)

The Group's equity at the reporting date the Group's equity is well above required minimum capital.

31 EVENTS AFTER REPORTING DATE

In January 2018 company has deposited cash on bank account to comply the the minimum capital requirement from ISSSG. Balance on bank account after depositing the fund has been GEL 2,318.

In thousand GEL

Appendix

STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017	2016
Earned premiums on insurance contracts	11,479	15,444
Reinsurer's share of gross earned premiums on insurance contracts	(5,822)	(14,342)
Net insurance revenue	**5,657**	**1,102**
Interest income	214	681
Revenue from medical services rendered	-	-
Change in fair value of investment properties	-	-
Gain (loss) from sale of subsidiaries	(1,092)	-
Other operating income	1,383	338
Other revenue	**505**	**1,019**
Total revenue	**6,162**	**2,121**
Gross insurance benefits and claims paid	(6,669)	(8,434)
Reinsurers' share of gross insurance benefits and claims paid	3,692	9,610
Gross change in contracts liabilities	1,863	(2,770)
Reinsurers' share of gross change in insurance contract liabilities	(2,165)	3,277
Net insurance claims	**(3,279)**	**1,683**
Cost of Medical Service Provided	-	-
Salaries and other employee benefits	(2,090)	(2,062)
General and other administrative expenses	(1,215)	(2,326)
Impairment charge	(1,148)	(2,183)
Interest expense	(75)	(218)
Depreciation and amortization expenses	(219)	(201)
Acquisition income (costs), net of reinsurance	451	4,477
Foreign exchange and translation gain (loss)	80	306
Income (Loss) from discontinued operations	-	-
Other operating expenses	(240)	(323)
Other expenses	**(4,456)**	**(2,530)**
Total claims and expenses	**(7,735)**	**(847)**
Loss before tax	**(1,573)**	**1,274**
Income tax (expense)/benefit	385	(355)
Net Income/(Loss) for the year from continuing operations	**(1,188)**	**919**
Other comprehensive income	-	-
Total comprehensive (loss)/income for the year	**(1,188)**	**919**
Total comprehensive (loss)/income attributable to:		
- Shareholders of the Company		
- Non-controlling interest		

General Director Tengiz Mezurnishvili

Chief Financial Officer Levan Kakulia

In thousand GEL

NOTES (CONTINUED)

STANDALONE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

ASSETS	As at 31-Dec-17	As at 31-Dec-16
Cash and cash equivalents	1,887	1,070
Amounts due from credit institutions	1,125	2,691
Insurance and reinsurance receivables	8,788	4,005
Loans issued and receivables	7	1,349
Reinsurance assets	9,619	13,573
Current income tax asset	-	-
Deferred income tax asset	2,133	2,148
Investments in subsidiaries	1,224	5,067
Investment property	-	-
Property and equipment	1,498	217
Intangible assets	33	59
Deferred acquisition costs	414	332
Other assets	1,230	1,884
Total assets	**27,958**	**32,395**
LIABILITIES		
Insurance contracts liabilities	13,925	15,948
Deferred commission income	293	1,087
Other insurance liabilities	6,158	4,407
Deferred income tax liability	-	-
Financial liabilities	523	2,866
Current Income Tax Liabilities	-	-
Trade payables	427	256
Other liabilities	1,215	2,156
Total liabilities	**22,541**	**26,720**
Share capital	2,430	1,500
Revaluation reserve	-	-
Retained earnings / (Accumulated loss)	2,987	4,175
Non-controlling interest		
Total equity	**5,417**	**5,675**
Total equity and liabilities	**27,958**	**32,395**

General Director	Tengiz Mezurnishvili	
Chief Financial Officer	Levan Kakulia	

In thousand GEL

NOTES (CONTINUED)

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	*Retained earnings*	*Total*
Balance as at December 31, 2015	**1,500**	**3,256**	**4,756**
Shareholders' contribution (net)	-	-	-
Total comprehensive income	-	919	**919**
Interim dividends paid during the year	-	-	-
Balance as at December 31, 2016	**1,500**	**4,175**	**5,675**
Shareholders' contribution (net)	930	-	**930**
Total comprehensive income	-	(1,188)	**(1,188)**
Interim dividends paid during the year	-	-	-
Balance as at December 31, 2017	**2,430**	**2,987**	**5,417**

General Director Tengiz Mezurnishvili

Chief Financial Officer Levan Kakulia

In thousand GEL

NOTES (CONTINUED)

STANDALONE STATEMENT OF CASH FLOWS

	2017	2016
Cash flows from operating activities		
Premium received	10,559	13,920
Cash paid to reinsurer	(2,721)	(2,626)
Claims paid	(6,535)	(7,407)
Acquisition costs	(697)	(778)
Subrogation received	82	107
Cash payments to employees	(1,574)	(1,561)
Net interest income	399	(60)
Administrative & other payments	(1,040)	(2,049)
Penalties paid	(20)	(74)
Taxes paid	(562)	(691)
Rent income	-	-
Cash received from medical services	-	-
Net cash flows (used in)/from operating activities	**(2,109)**	**(1,219)**
Cash flows from investing activities		
Time deposits	1,545	465
Purchase (sale) of property and equipment	(387)	(37)
Loans issued (net)	79	2
Investments in subsidiaries	-	(666)
Other investments	769	(11)
Net cash flows (used in)/from investing activities	**2,006**	**(247)**
Cash flows from financing activities		
Net overdrafts received (repaid)	-	(982)
Loans received (net)	954	455
Cash received from shareholders	-	-
Dividends paid	-	-
Net cash flows (used in)/from financing activities	**954**	**(527)**
Cash and cash equivalents, beginning balance	**1,070**	**2,961**
Net effect of exchange rates changes on cash and cash equivalents	(34)	102
Cash and cash equivalents, ending balance	**1,887**	**1,070**

General Director Tengiz Mezurnishvili

Chief Financial Officer Levan Kakulia