



Joint-Stock Company
“International Insurance Company Kamara”

Financial Statements
As of 31 December, 2016
and
Independent Auditor’s Report

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Definition of Management's Responsibilities

JSC International Insurance Company Kamara

Statement of Management's Responsibilities for the preparation and approval of the prepared financial statements as of December 31, 2016.

The following statement should be considered in conjunction with the independent auditor's responsibilities stated in the independent auditors' report for the purpose of distinguishing the responsibilities of management and those of independent auditors in relation to the financial statements of International Insurance Company Kamara Ltd ("Organization").

Management is responsible for the preparation of the financial statements that fairly reflects the financial position of the organization as of December 31, 2016, the results of its operations, cash flows and changes in equity for the year ended at the same date, in accordance with International Financial Reporting Standards (IFRS).

In preparation of the financial statements, the management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making reasonable and prudent decisions related to the judgments and estimates;
- Preparing the financial statements on the basis of operating enterprise, unless when it is not presumed that the organization will continue its activity in the foreseeable future.

The management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the organization;
- Maintaining such accounting records, which enable the organization to ensure at any time presentation of the financial position with reasonable accuracy and compliance of the financial statements with IFRS requirements;
- Maintaining statutory accounting records in compliance with the Georgian legislation and accounting standards;
- Taking steps to safeguard the safety of assets of the organization; and
- Detecting and preventing fraud and other irregularities.

The existing financial statements as of December 31, 2016 were signed for issue on February 22, 2017.

On behalf of the Management:

Sealed (J.S.C. INTERNATIONAL INSURANCE COMPANY KAMARA, GEORGIA,
404990435)

/Signed/
General Director
Eka Tsenteradze
February 22, 2017
Tbilisi, Georgia

/Signed/
Financial Director
Levan Eliauri
February 22, 2017
Tbilisi, Georgia



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Independent Auditors' Report

To the Management of the Joint-Stock “Company International Insurance Company Kamara”:

Report on the financial statements

We have audited the attached financial statements of JSC International Insurance Company Kamara, which comprise the balance sheet as of December 31, 2016, and also the sheets of statements of profit and loss, cash flows and changes in equity for the year ended at the above mentioned date and a summary of primary principles of accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control system that is necessary for the preparation and presentation of such financial statements that are free from significant misstatement, whether due to error or fraud; and also selecting and applying appropriate accounting policies; and making accounting estimates that are corresponding and reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with International Standards on Auditing. These standards require our work to comply with ethical norms and plan and perform the audit in such a way to obtain reasonable assurance whether the financial statements are free from significant misstatement.

An audit involves performing of certain procedures to obtain an audit evidence about the amounts and definitions represented in the financial statements. The procedures selected depend on the auditor's professional judgment, which includes the assessment of the risk of significant misstatement in the financial statements, whether due to fraud or error. For elaboration of procedures corresponding to the existing circumstances, but not to make conclusion about effectiveness of internal control of the organization, the auditor during the risk assessment considers internal control systems, which are necessary for preparation and fair presentation of the financial statements.

We believe that the evidences, which we have obtained during auditing are sufficient and appropriate to provide a basis for our audit opinion.

Conclusion

From our point of view, the presented financial statements accurately and fairly reflect the International Insurance Company - Kamara Ltd financial position as of December 31, 2016, the results of its activity and cash flows for the year ended at the above mentioned date in accordance with the International Financial Reporting Standards.

Audit and Advisory Service LLC "MGI Georgia"
Member of MGI Worldwide

February 22, 2017
Tbilisi, Georgia

/Signed/
/Sealed/ (MGI, 211358519)

JSC “International Insurance Company Kamara”
Individual Statement of Profit and Loss and Other Comprehensive Incomes
As of December 31, 2016
Accounting currency GEL

| | Note | 31.12.2015 | 31.12.2016 |
|--------------------------------------|------|------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | 5 | 1 253 751 | 2 904 122 |
| Insurance claims | | 293 | 32 379 |
| Deferred commission expense | | 8,243 | 16 862 |
| Other assets | 6 | 769.369 | 32 302 |
| Total current assets | | 2.031.657 | 2 985 666 |
| Fixed assets | 7 | 134.607 | 143 667 |
| Non-material assets | 8 | 648 | 66 029 |
| Deferred tax asset | 9 | 53.084 | 65 026 |
| Total long-term assets | | 188.339 | 274 722 |
| Total assets | | 2.219.996 | 3 260 387 |
| Liabilities | | | |
| Insurance reserves | 10 | 149.950 | 111 506 |
| Other insurance liabilities | | 1,284 | 16 291 |
| Other liabilities | 11 | 171.857 | 337 089 |
| Total short-term liabilities | | 323.092 | 464 886 |
| Total liabilities | | 323.092 | 464 886 |
| Capital | | | |
| Authorized capital | | 2.500.000 | 3.500.000 |
| Retained earnings | | (603 096) | (704 498) |
| Total capital | | 1 896 904 | 2 795 502 |
| Total liabilities and capital | | 2 219 996 | 3 260 387 |

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INSURANCE COMPANY KAMARA,
GEORGIA, 404990435)

General director
Eka Tsenteradze

February 22, 2017
Tbilisi, Georgia

/Signed/

Financial Director
Levan Eliauri

February 22, 2017
Tbilisi, Georgia

JSC “International Insurance Company Kamara”
Individual Statement of Cash Flows
As of December 31, 2016
Accounting currency GEL

| | Note | 12 months, 2015 | 12 months, 2016 |
|---|------|-----------------|------------------|
| Incomes | | | |
| Earned premium, gross | | 65.740 | 272 988 |
| Minus: reinsurance share in earned premium | | - | - |
| Earned premium, net | | 65.740 | 272 988 |
| Change in reserve of unearned premium, net | | 35.692 | |
| Unearned premium, net | | 30.048 | 272 988 |
| Subrogation recoveries and salvaged property income, net | | 71.257 | 57 524 |
| Investment income | | 19.881 | 17 303 |
| Commission income from evaluation | | 1.100 | 800 |
| Other non-operating income | 12 | 127 589 | 216 130 |
| Total income | | 249 874 | 564 745 |
| Expenses | | | |
| Compensable claims | | 203.838 | 203.198 |
| Changes in claims reserve | | (204.076) | (94 294) |
| Commission expense | | 6.644 | 60 391 |
| Other Operation expense | | 22481 | - |
| Insurance claims, net | | 28 886 | 169 295 |
| Salary expense | | 109.352 | 232 583 |
| Administrative expense | 13 | 127 509 | 211 919 |
| Tax expenses | | 1.208 | 1 128 |
| Depreciation expense | | 12.672 | 22 948 |
| Other non-operating expenses | 14 | 40 879 | 40 217 |
| | | - | |
| Total expenses | | 320 508 | 678 089 |
| Profit (loss) before taxation | | (70 633) | (113 344) |
| Profit tax | | (15 740) | 11 942 |
| Net profit (loss) | | (86 373) | (101 403) |

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February 22, 2017
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/Signed/

Financial Director
Levan Eliauri

February 22, 2017
Tbilisi, Georgia

| | 31.12.2015 | 31.12.2016 |
|--|------------------|---------------------------------------|
| Cash flows from operating activities: | | |
| Insurance premium inflow | 65.697 | 295 670 |
| Subrogation recoveries inflow | 68.457 | 38 024 |
| Other operating incomes inflow | 88.946 | 366 016 |
| Outflow by insurance claims | (203.838) | (202 257) |
| Outflow by agent commission | (10.041) | (43 480) |
| Outflow by salary and other payments | (89.063) | (187 846) |
| Outflow by taxes | (42.741) | (77 998) |
| Outflow by other operation expenses | (173.216) | (445 859) |
| Net cash flows from operating activities | (295 799) | (257 730) |
| Cash flows from investment activities: | | |
| Inflows by the percent charge from the deposits | 16.663 | 19 487 |
| Outflow for fixed assets purchase | (5 491) | (25 028) |
| Outflow for intangible assets purchase | | (53 886) |
| Net cash flows from investment activities | 11 172 | (59 427) |
| Cash flows from financial activities: | | |
| Inflow by sale of own share | 300 169 | 1 762 919 |
| Net cash flows from financial activities | 300 169 | 1 762 919 |
| Cash and their equivalents at the beginning of the period, including: | | |
| Cash and their equivalents on the current accounts | 1 372 | 269 278 |
| Cash and their equivalents on the placed deposits | 1 131 312 | 984 473 |
| Profit (loss) from the difference between the currency exchange rates on the cash and cash equivalents | 105 524 | 204 609 |
| Total cash and their equivalents at the beginning of the period | 1 238 208 | 1 458 360 |
| Cash and equivalents net changes | 15 543 | 1 445 762 |
| Cash and their equivalents at the end of the period | 1 253 751 | 2 904 122 |
| /Signed/ Sealed (J.S.C. INTERNATIONAL INSURANCE COMPANY KAMARA, GEORGIA, 404990435) | | /Signed/ |
| General director Eka Tsenteradze | | Financial Director Levan Eliauri |
| February 22, 2017 Tbilisi, Georgia | | February 22, 2017 Tbilisi, Georgia |

JSC “International Insurance Company Kamara”
 Individual Statement of Changes in Equity
 As of December 31, 2016
 Accounting currency GEL

| | Authorized capital | Retained earnings/loss | Total |
|--|-------------------------------|-----------------------------------|------------------|
| Balance as of December 31, 2014 | 2 500 000 | (516 723) | 1 983 277 |
| Net profit of the period | - | (86 373) | (86 373) |
| Balance as of December 31, 2015 | 2 500 000 | (603 096) | 1 896 904 |
| Net profit of the period | | (101 403) | (101 403) |
| Investment in Share Capital | 1 000 000 | - | - |
| Balance as of December 31, 2016 | 3 500 000 | (704 498) | 2 795 502 |

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General director
 Eka Tsenteradze

February 22, 2017
Tbilisi, Georgia

/Signed/

Financial Director
 Levan Eliauri

February 22, 2017
Tbilisi, Georgia

Financial reporting explanatory notes

1. Principal activity

JSC "International Insurance Company Kamara" (hereinafter - "Organization") was founded on May 13, 2013. The registering body is LEPL National Agency of Public Registry, legal address: Vake-Saburtalo district, A. Kalandadze Str. #4, Tbilisi, Georgia. On December 07, 2015, "International Insurance Company Kamara" Ltd has changed the legal form and was established as a joint-stock company. Nominal value of the share is 1 GEL. In total, 3.500.000 shares were emitted. The owners of the Society shares are: Chetin Aidin (personal number 20692382642) - 61%, Husein Iaman (personal number **48838112892**) - 39%,

The Organization carries out insurance activity. The Organization operates in Georgia. Therefore economic factors and financial markets acting in Georgia have effect on the Organization, which display characteristics of an emerging market. The insurance license was given to the Organization on October 11, 2013, license certificate #NL013, issued by LEPL Insurance State Supervision Service of Georgia.

Legislative, tax and regulatory structures continue development, though they are interpreted differently and often undergo changes, that creates certain challenges for organizations operating in Georgia along with other legislative difficulties. This financial reporting reflects management appraisals on Georgian business environment influence on the activity and financial status of the company. Future business environment can be different from the management appraisals.

2. Presentation grounds accounting grounds

Attached financial reporting of the Organization is prepared in accordance with International Financial Reporting Standards approved by International Accounting Standards Board (IASB) and interpretations published by International Financial Reporting Interpretations Committee (IFRIC).

The mentioned financial reporting is presented in Georgian lari, unless otherwise defined.

Accounting currency

Accounting currency of the presented financial reporting is Georgian lari.

3. Main policy of accounting

3.1 Recognition and valuation of financial instruments

Recognition of financial assets and liabilities is carried out as at the date of agreement. Acquisitions of financial instruments of regular nature, which further will be evaluated between the days of sale and settlement at fair value, are accounted for similar to acquired instruments.

The initial recognition of financial assets and liabilities is carried out fair value plus, if financial asset or liability is not fairly reflected by transaction of profit-loss, those costs, which are directly belong to agreement related to financial asset and liability. Revaluation policy of mentioned assets and liabilities is described in the below mentioned principles of accounting.

3.2 Money and its equivalents

Money and its equivalents include balances on current bank accounts.

3.3 Classification of contracts

Insurance contracts are contracts under which the organization accepts insurance risk from another party ("the insured") by agreeing to compensate the insured or other beneficiary in a specified uncertain future event ("the insured event"), which adversely affect the insured or other beneficiary. Insurance risk is other than financial risk. Financial risk is related to possible future change in interest rate, security price and commodity price, foreign exchange rates, indexes of prices and rates, credit rating or indexes or other variables, provided that non-financial variable is not specified for the party of the contract. Insurance contracts may also carry some financial risk. Insurance risk is classified as significant if an insured event could cause the company to compensate significant claims.

An insurance contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired. Contracts under which insignificant insurance risks are transferred to the organization are classified as financial instruments.

Financial guarantee contracts are accepted as insurance contracts.

3.4 Recognition and measurement of contracts

Insurance contracts

Insurance Premiums

Gross premiums attracted include premiums entered into during the year, whether in whole or in part corresponding to the subsequent accounting period. Premiums are disclosed including commissions payable to intermediaries. The earned portion of premiums is recognized as income. Premiums are earned from the effective date of policy during the insurance period daily (using the pro-rata method). Reinsurance premium is recognized as an expense also daily (using the pro-rata method). The portion of reinsurance premium, which is not recognized as an expense is treated as a reinsurance asset.

Policy cancellations

Policies are cancelled if there is objective assumption that the insured is not or cannot pay policy premium. Therefore, cancellations affect those policies where in accordance with terms premium is paid by installments.

Unearned premium reserves

Unearned premium reserve includes the portion of gross attracted premium which is expected to be earned during the following or subsequent years. It is computed separately for each insurance contract daily (using the pro-rata method).

Insurance claims

Net claims incurred include claims compensated during the reporting year together with the movement of outstanding claims reserve. Outstanding claims include calculations of reserves of expenses related to regulation of claims incurred but to be paid by the organization for the ultimate day of the reporting period, reported as well as unreported.

Claims outstanding are determined by individual review of claims and calculations of reserves of claims incurred but not reported, in which internal and external foreseeable events are envisaged, such as legal changes and past experiences and trends. Reserves of claims outstanding are not discounted.

3.4 Recognition and measurement of contracts (continuation)

Sums of planned reinsurance and subrogation recoveries to be received are recognized as asset. Reinsurance and subrogation recoveries are determined in the same way as outstanding claims.

Adjustments of the amounts of claim reserves established in previous years are reflected in the financial statement for the period when the adjustment is made and in case of materiality are determined separately. The methods used and the estimates made, are reviewed regularly.

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the period, which are related to the attraction or renovation of insurance contracts, will be postponed to the future periods, only in case if it is expected that these costs will be compensated in the future from the received insurance premiums. All other acquisition costs are recognized as expenses in the periods, when they were incurred.

After the initial recognition, the acquisition costs of general insurance are depreciated in the period, when the related incomes are earned.

Liability adequacy test

At each balance date a liability conformity test is performed to ensure adequacy of unearned premiums minus deferred acquisition costs assets. During the test predictive indicators of cash flows, claim management, policy administration and income from investment activity carried out to secure them are used. In case if deficit is revealed the corresponding deferred acquisition costs and corresponding non-material asset will be written off, if necessary the additional reserve is created. This difference is recognized in the annual profit or loss.

Insurance claims

Claims arisen from the insurance contracts are classified as claims and their depreciation is reviewed in accordance with test of depreciation of claims.

3.4 Recognition and measurement of contracts (continuation)

The insurance claims are recognized at the issue of policy and is accounted for amortized value. The depreciation of balance value of insurance claims is reviewed as on the level of individual balances so totally on the balances which were not included in the individual review. The depreciation review is carried out in case if the events or circumstances indicate that the organization may not fully extract pertaining sums from the claims. The depreciation loss is recognized in profit-loss report.

3.5 Fixed assets and depreciation

The fixed assets are given at the historical value minus depreciation. The historical value includes sums, which are spent on acquisition of these assets. The subsequent expenses are reflected in the corresponding item of the asset or they are accounted for (recognized) as separate asset in case if it clear that in the future the organization will receive an economic profit thanks to this asset and reliable (real) assessment of this asset is possible. The value of repair (maintenance) and storage of assets is reflected in the income statement in accordance with the periods of their origin.

Depreciation of fixed assets is calculated using the straight-line method in accordance with the rules determined by the Tax Code of Georgia and not always corresponds with international accounting standards, because this method does not always suitably determine the future profit related to these assets.

Depreciation of fixed assets is deducted from the balance value of assets and is used for write-off of the assets before their exploitation expiration date. Depreciation and amortization calculation is performed using the straight-line method using the following annual rates:

| | |
|----------------------------------|--------|
| Office and computer Equipment | 20-40% |
| Furniture and other inventory | 20-40% |
| Non-material assets | 15-25% |

The organization does not review the depreciation methods and coefficients at the end of each financial year to reflect if there is any sign of that any fixed asset of the organization, from which it expects the profit, is depreciated.

When the property write-off or change in other way is carried out, the value and depreciation are transferred from the financial report and all types of profit and loss related to it are reflected in the income statement.

3.6 Reserves

Reserves (deductions) are recognized when the company has a current liability (legal or structural) arisen from the past events, at the same time it is expected that the company will have to give out resources containing economic profit to cover the liabilities and if it is possible to evaluate the liability sum enough reliable.

3.7 Capital

The capital includes the share capital and undistributed profits.

The dividend is recognized as liability and is deducted from the capital only in case if its giving out was declared at the date of preparation of balance.

3.8 Taxes

For the audited period profit tax is equal to 15% in accordance with the Georgian legislation.

Calculation of profit tax is carried out for the given periods based on the data of financial reporting and based on the calculations of management taking into account the Georgian tax legislation. In accordance with the Georgian legislation deferment of tax loss is performed during 5 years.

Expense for the profit tax represents a sum of expenses for current and deferred taxes.

Expense for the current tax is calculated from the taxable profit of the year. The taxable profit differs from the net profit, which is reflected in the profit-loss report, because it does not include the part of incomes and expenses which is subject to taxation or deduction in previous years as well as those expenses, which are not taxable or deductible at all. Current tax expense of organization is calculated using the tax rate, which was effective for the reporting period.

Deferred tax is tax to be paid or deducted, which arises in financial report based on taxation basis received from the difference between residual value of assets and liabilities reflected in the financial reporting and in the balance sheet is reflected using the liability method. Deferred tax liabilities are usually subject to recognition for all temporally differences, and deferred tax assets are subject to recognition so far as there is well-founded expectation of existence of taxable profit, in relation of which the existing temporally difference will be used. Assets and liabilities are not recognized if the temporally difference is caused by initial recognition of assets and liabilities in those operations which does not affect the tax profit as well as the accounting profit.

3.9 Interest income and expense; commission income

Interest income and expense are recognized as profit or loss as the charge takes place in accordance with asset/liability effective interest or variable rate. Interest income and expense include amortization or any other difference between the balance amount of the corresponding instrument and amount calculated considering term based on effective interest rate, loan organization, service and other expenses, which are inseparable from the whole profitability of loan, is postponed with direct expenses and is depreciated on interest income in accordance with financial instrument duration using effective interest rate method.

Other commission income is recognized when the corresponding service is rendered.

3.10 Foreign currency operations

Foreign currency operations are accounted for in Georgian lari in accordance with exchange rates established on the day of operation. Monetary assets and liabilities denominated in foreign currency are recalculated in Lari on the day of preparation of financial reporting in accordance with the existing exchange rates. Financial result received from difference in exchange is reflected in profit-loss reporting of period when it was arisen.

Currency exchange rate

Below exchange rates existing at the end of the year are given, which were used by the organization during preparation of financial reporting:

| | December 31, 2015 | December 31, 2016 |
|-------------------|-------------------|-------------------|
| Lari/1 USA dollar | 2.3949 | 2.6468 |
| Lari/1 euro | 2.6169 | 2.7940 |

3.11 Deduction of financial assets and liabilities

Financial assets and financial liabilities are deducted and reflected in the balance at net amount, in case if the organization has a legal right to deduct amounts recognized in the balance and intends to offset asset at net value or to sale simultaneously the asset and to cover the liability. The organization does not deduct transferred financial asset with liabilities.

3.12 Conditional assets and liabilities

The conditional liabilities are not reflected in the balance, but are presented before existence of possibility of any outflow of funds during settlement. Conditional asset is not reflected in the balance, but is presented in case if the economic profit earning is expected.

4. Insurance risk management

4.1 Risk management objectives and policies for mitigating insurance risks

The primary insurance activity carried out by the organization is related to the risk of loss which may arise from natural persons or organizations. Such risks are related to property, execution of obligations, accident, health, cargo or other dangers, which may arise from the insured event. Thus the organization faces uncertainty due to time and gravity of losses proceeding from insurance contracts.

The principal risk is such frequency and gravity of losses, which exceeds the expected. The insured events are by their nature random and the size may be different from those determined by the statistical technical means.

Risk proceeding from non-life insurance policies, as a rule, cover twelve months' period. For the standard insurance contracts, the most important risk proceeds from changes in the corresponding legislative environment, changes in behavior of insured, natural cataclysms and terroristic activity.

Proceeding from the insurance activity the organization also faces the market risk. The organization manages the risks using the established statistical means, reinsurance of risks, underwriting limits, procedure of transactions authorization, price guideline and monitoring of the revealed issues.

4.2 Underwriting strategy

The organization's underwriting strategy lies in diversification of portfolio in such a way that it always contains different classes non-correlated risks and at the same time all classes of risks must be distributed among big quantity of policies.

The management believes that this approach mitigates negative results. Underwriting strategy is defined in the business plan, which determines that business classes and subclasses must be ordered. The strategy is executed by underwriting guidelines, which determine underwriting detailed rules for each product. The guidelines contain insurance conception and procedures, definitions, of accepted risks, terms and conditions, rights and obligations, requirements of documentation, agreement templates and samples of policies, definitions about tariffs and other factors, which will affect the corresponding tariffs. Calculation of tariffs is based on the probability and variability. Surveillance of execution of guidelines' requirements is carried out by the management of the organization on an on-going basis.

4.2 Underwriting strategy (continuation)

Different policies and processes such as all new and current claim evaluation, regular detailed consideration of the claim management procedures and investigation of the possible fraudulent claims are carried out to mitigate the claims. Where possible the organization carries out investigations of reasons and trends of claims aimed at mitigating unexpected possible negative influence on the organization in the future.

The organization also determines maximal possible risk by determination of maximal possible amount of risk for the certain contract.

4.3 Conditions of insurance contracts and nature of covered risks

Conditions of insurance contracts which have a material effect on the number, timing and uncertainty of future cash flows proceeding from contracts are given below. In addition, it gives us an opportunity to evaluate the primary products of organization and management ways risks associated with them.

4.4 Concentration of insurance risks

The key aspect of the insurance risk of organization is the extent of concentration of insurance risk, for example can take place such event or series of events, which will have an important impact upon the liabilities of the organization. Such concentration may arise from a single insurance contract or contracts with related contents. Important aspect of concentration of insurance risk is that the risk may be accumulated in the number of individual classes.

In the organization there are two key methods of risk management. First, the risk is managed through underwriting. Underwriter is not permitted to evaluate and underwrite unless the profit is not corresponding to the risk.

4.5 Main assumptions during the calculation of claims to be compensated

The main assumptions are related to the extent of difference of the future of organization associated with claims from the reality of development of claims in the past. The mentioned includes maximum approximate calculations of the average value of claims, value of claim management, factor of claim depreciation, number of claims, delay between the events of claims, report of claims and compensations for the reporting period of each claim. To evaluate why it is possible that the past trend is not manifested in the future, additional qualified definitions are used, for example single event, changes in market factors, as the attitude of the society to the claim, economic conditions are, as well as internal factors, as the share portfolio composition, policy conditions and claim management procedures.

4.5 Main assumptions during the calculation of claims to be compensated (continuation)

The assumptions are also used to evaluate the extent of impact of external factors upon the conditional indicators, for example court decision and state legislation. Other calculations include variability of interest rate and changes of foreign currency exchange rates.

4.6 Sensitivity

The management of organization believes that proceeding from short-tailed nature of the business the portfolio of organization is sensitive in relation to expected variability of claim ratio. The organization regularly changes the insurance tariffs in accordance with the changes of the mentioned parameter. As a result, any trend of change is taken into account.

| Note 5 - Cash | 31.12.2015 | 31.12.2016 |
|--|-------------------|-------------------|
| Bank accounts, GEL | 140 697 | 42 098 |
| Bank accounts, USD | 128 581 | 216 163 |
| Total cash balance in current bank accounts | 269 278 | 258 261 |
| Deposits, GEL | 402 000 | 191 472 |
| Deposits, USD GEL | 582 473 | 2 453 584 |
| Total cash balance in deposit bank accounts | 984 473 | 2 645 056 |
| Cash, GEL | - | 806 |
| Total cash | 1 253 751 | 2 904 122 |

| Note 6 - Other assets | 31.12.2015 | 31.12.2016 |
|--|-------------------|-------------------|
| Advance payments | 14 140 | 13 974 |
| Claims in respect of accountable persons | - | 350 |
| Advance expense payments | - | 164 |
| Advance salary payments | 1 000 | - |
| Advance income tax payments | 219 | 908 |
| Claims in respect of founder | 747 068 | - |
| Interest receivable | 3 918 | 2 141 |
| Advance rental payments | 3 025 | 14 766 |
| Total other assets | 769 369 | 32 302 |

Note 7 - Fixed assets

| | Land | Buildings | Office equipment except computer equipment and furniture | Computer equipment and peripheral items | Furniture | Promotional items | Auto transport | Total |
|--|---------------|---------------|--|---|--------------|-------------------|----------------|----------------|
| Initial value | | | | | | | | |
| Balance 31.12.2015 | 28 435 | 80 217 | 3 486 | 12 341 | 8 620 | 600 | 18 780 | 152 479 |
| Additions | - | - | 2 670 | 14 301 | 210 | 8 400 | - | 25 581 |
| Assets write-off | | | | | | | | - |
| Balance 31.12.2016 | 28 435 | 80 217 | 6 156 | 26 643 | 8 830 | 9 000 | 18 780 | 178 060 |
| Accumulated depreciation | | | | | | | | |
| Balance 31.12.2015 | - | (2 674) | (397) | (4 568) | (3 004) | (30) | (7 199) | (17 872) |
| Depreciation for the period | - | (4 011) | (1 096) | (4 576) | (1 763) | (1 320) | (3 756) | (16 521) |
| Depreciation of the assets written-off | | | | | | | | |
| Balance 31.12.2016 | - | (6 685) | (1 493) | (9 144) | (4 766) | (1 350) | (10 955) | (34 393) |
| Net value | | | | | | | | |
| Balance 31.12.2015 | 28 435 | 77 543 | 3 089 | 7 773 | 5 616 | 570 | 11 581 | 134 607 |
| Balance 31.12.2016 | 28 435 | 77 532 | 4 663 | 17 499 | 4 064 | 7 650 | 7 825 | 143 667 |

Note 8 - Non-material assets

| | Software | Total |
|--|---------------|---------------|
| Initial value | | |
| Balance 31/12/2015 | 960 | 960 |
| Additions | 71 808 | 71 808 |
| Assets write-off | | |
| Balance 31/12/2016 | 72 768 | 72 768 |
| Accumulated depreciation | | |
| Balance 31/12/2015 | (312) | (312) |
| Depreciation for the period | (6 427) | (6 427) |
| Depreciation of the assets written-off | - | - |
| Balance 31/12/2016 | (6 739) | (6 739) |
| Net value | | |
| Balance 31/12/2015 | 648 | 648 |
| Balance 31/12/2016 | 66 029 | 66 029 |

Note 9 - Deferred tax asset

| | 2015 | 2016 |
|-------------------------------|---------------|---------------|
| Beginning of the year | 68 823 | 53 084 |
| Profit tax expense | (15 740) | 11 942 |
| At the end of the year | 53 084 | 65 026 |

| Note 10 - Insurance reserves | 31.12.2015 | 31.12.2016 |
|-------------------------------------|-------------------|-------------------|
| Insurance reserves | 111 337 | 17 043 |
| Deferred income | 38 613 | 94 463 |
| Total insurance reserves | 149 950 | 111 506 |

| Note 11 - Other liabilities | 31.12.2015 | 31.12.2016 |
|---|-------------------|-------------------|
| Liabilities arisen from provision and service | 584 | 18 733 |
| Other accounts payable | 108 652 | 108 652 |
| Property tax payable | 490 | 757 |
| Advance payment received | 134 | 1 202 |
| Pre-paid insurance premium | - | 400 |
| Agricultural land tax | - | 21 |
| Account payable for partners | - | 15 852 |
| Short-term liabilities to principals | 61 997 | 191 472 |
| Total Other Liabilities | 171 857 | 337 089 |

| Note 12 – Other non-operating income | 31.12.2015 | 31.12.2016 |
|---|-------------------|-------------------|
| Income from exchange rates | 105 543 | 207 104 |
| Court fees and other income | - | 9 022 |
| Other non-operating income | 22 046 | 3 |
| Total other non-operating income | 127 589 | 216 130 |

| Note 13 - Administrative expenses | 31.12.2015 | 31.12.2016 |
|--|-------------------|-------------------|
| Lease expenses | 51 462 | 91 206 |
| Stationary expenses | 1 025 | 1 952 |
| Computer expenses | 1 652 | 1 660 |
| Mobile and office equipment | - | 30 |
| Communication expenses | 4 989 | 9 584 |
| Transportation expenses | 8 672 | 12 263 |
| Utility costs | 961 | 7 762 |
| Consulting and audit expenses | 34 425 | 25 500 |
| Notary and legal service | 5 717 | 8 398 |
| Bank expenses | 967 | 6 201 |
| Business trip expenses | 2 523 | - |
| Repair expenses | 252 | 1 844 |
| Representative expenses | 182 | 2 241 |
| Advertisement expenses | 6 210 | 27 436 |
| Office equipment | 10 | 268 |
| Household equipment | 862 | 3 264 |
| Security expenses | - | 2 036 |
| Printing expenses | - | 3 794 |
| Employee training expenses | - | 450 |
| Other expenses | 7 601 | 6 031 |
| Total operating expenses | 127 509 | 211 919 |

| Note 14 – Other non-operating expenses | 31.12.2015 | 31.12.2016 |
|--|-------------------|-------------------|
| Commission for registration of electronic guaranties | 1 890 | 13 330 |
| Commission for property evaluation | 1 100 | 600 |
| Expenses related to the suspicious receivables | - | 35 |
| Paid membership subscription expenses | - | 12 293 |
| Court fees and other expenses | 27 878 | 7 709 |
| Other non-operating expenses | 10 011 | 6 250 |
| Total Other Liabilities | 40 879 | 40 217 |

Note 15 - Operations with related party

Related parties or transactions with related parties, are determined International Accounting Standard #24 Related Party Disclosures and represent:

- (a) Companies which directly or indirectly control the organization by means of one or more intermediaries, are controlled by it or are controlled with the organization (including, holding companies, subsidiary enterprises and other subsidiary enterprises of one parent enterprise);
- (b) Associated enterprises activity of which is significantly affected by the organization and which does not represent neither subsidiary, nor joint company of investor;
- (c) Joint enterprise where the organization is founder;
- (d) Key management of the organization or founder company;
- (e) Immediate family members of persons mentioned in (a) and (b) items; enterprises, significant block of shares with voting power of which directly or indirectly is in possession of persons, which are listed in d) and e) items or persons, on which they can have a significant influence.

During consideration of each related party attention is paid to the essence of relation and not only to the legal form. Transactions carried out between the organization and its associated companies, which also represent the related parties of the organization were reduced on the amount of share of the organization in these companies and in this note such transactions are not represented.

Note 16 - Capital management

During capital management the organization aims:

- To ensure the organization's ability to continue the activity in such a way which ensures a profit for the proprietors;
- To ensure adequate income for the proprietors in proportion to the level of the service assessed risk.

The organization determines the amount of capital in proportion to the risk. The organization manages and corrects structure of the capital taking into account the economic condition and changes of risks typical for the principal assets.

To perform the mentioned, it is possible for the organization to correct the dividend amount payable to the founder, to return the capital to the founder, to increase authorized capital or to sale the assets to settle debt.

Note 17 - Unforeseen circumstances

Insurance

The insurance industry in Georgia is in the phase of development. Therefore, many forms of insurance protection accepted in the world are not fully available in Georgia for the present. The organization has no full insurance cover for its real estate, mounting and equipment, ceasing of activity or liability of the third person towards private property or any casual external damage to the organization's property or operations. Before the organization receives the corresponding insurance coverage there is a risk that loss or destruction of certain assets can cause a material negative impact on operations and financial position of the organization.

Judicial proceedings

In conditions of usual operating of business legal action, disputes and complaints are made in relation to the organization. The management considers that maximum liability (if any) which may arise as a result of such disputes will not have a significant impact on financial or future operating results.

Tax unforeseen circumstances

The Georgian tax system is comparatively new and its legislative and official provisions, court decisions often change and often are vague, contradictory and their interpretation is different. In case of violation of tax legislation, it is not possible to charge any liabilities, penalties and fines if more than six years have passed since the year when the violation took place.

The mentioned environment in Georgia creates tax risks, which are more essential than in other countries. The management considers that it adequately performs the tax obligations, is guided by interpretations of the tax legislation effective in Georgia, official acts and court decisions. However, the corresponding bodies may have other interpretations and in case of successful execution of their interpretations impact on the financial reporting may be significant.

Note 18 - Events after the balance date

There is no judicial dispute in Georgian court by the participation of JSC "International Insurance Company Kamara".

An appeal has been filed into the supreme court of Georgia by the former shareholders, which is related dispute between company shareholders and former partners.

There is a judicial dispute between the current shareholders of JSC International Insurance Company Kamara and the former partner Fazil Aliev in relation to the non-accomplishment of one of the additional obligations undertaken by the partners with the International Insurance Company Kamara Ltd founding partners' meeting protocol of November 27, 2014.

Because the former partner of International Insurance Company Kamara Ltd Fazil Aliev did not make the cash contribution equal to 50% to International Insurance Company Kamara Ltd in the form stipulated by the Charter and protocol and has fulfilled the obligation only partially, his share was transferred to the other partners by means of transfer of the real estate owned by him to the company without any compensation.

Hence, the partners have agreed that because Fazil Aliev did not make the cash contribution and caused the financial loss to the company as a result of granting of unsecured loans, he undertook an obligation to assign the share owned by him to the other partners. In connection with this, because Fazil Aliev voluntarily withdrew from the company he as a shareowner assigned the share owned by him without any compensation in accordance with the separate agreement on settlement between the parties and assignment of the share. The agreement on settlement between the parties and assignment of the share was presented to the Public Registry and the corresponding registration was carried out.

In accordance with the founding partners' meeting protocol, the partners have considered and resolved several issues related to the Society, including the recovery of the contribution, in particular, the partners' meeting has considered the issue of recovery of the contribution (the real estate located at address: Tbilisi, Ponichala village, identification code: 81.05.03.206) and has made the corresponding decision. In relation to the same issue, the partners, including Fazil Aliev have agreed that the contribution would be recovered. The partners of the Society undertook an obligation that during 6 (six) month they would remove the lien of the property and then the house would be transferred into the ownership of Fazil Aliev.

These 6 (six) month were conditional because the partners thought that for that moment the judicial disputes which have arisen because of the unsecured bank guarantees granted during the period of directorship of Fazil Aliev would be finished.

Note 18 - Events after the balance date (continuation)

In particular, during the period of directorship of the Society by Fazil Aliev, he granted unsecured bank guarantees on behalf of International Insurance Company Kamara Ltd in relation to which there were judicial disputes and for this purpose the lien was placed upon the real estate (in the agreement on settlement between the parties and assignment of the share, Fazil Aliev declares and confirms that during the period of his management in International Insurance Company Kamara the company has incurred financial losses as a result of unsecured bank guarantees' granting).

As we have noted above, the term of lift of the attachment of the real estate determined by the partners of the Society - 6 (six) months was conditional because the partners thought that for that moment the judicial disputes would be finished and the lien would be removed. Because the judicial proceedings were not finished for that moment for reasons beyond the control the partners, the attachment of the property was not lifted. Fazil Aliev filed a suit against the partners of Kamara and because in accordance with the agreement, the real estate was not redelivered to him in 6 (six) months he did not claim the fulfillment of the obligation (redelivering of the property), he claimed the voidance of the meeting protocol and recovering of the initial situation.

In accordance with the decision of Civil Cases Panel of Tbilisi City Court of November 25, 2015, the Court sustained the claim of Fazil Aliev and held invalid that part of International Insurance Company Kamara Ltd founding partners' meeting protocol of November 27, 2014 pursuant to which Fazil Aliev assigned 17% to Husein Iaman, 17% to Chetin Aidin, 16% to the defender Mehmed Akif Afshar from his 50% share and the defenders Husein Iaman, Chetin Aidin and Mehmed Akif Afshar undertook the obligation to lift the attachment of the property owned by International Insurance Company Kamara Ltd - real estate located in Ponichala village during 6 (six) months and to assign the property rights to Fazil Aliev. The decision of Civil Cases Panel of Tbilisi City Court of November 25, 2015 has been appealed by the shareholders of JSC International Insurance Company Kamara. By the decision of Tbilisi appeals court of Civil Cases Chamber of September 29, 2016 the appeal of the shareholders of JSC “International Insurance company Kamara” Husein Iaman, Chetin Aidin and Mehmed Akif Afshar has been satisfied. In particular: A new decision has been made by the changing of the decision of Civil Cases Panel of Tbilisi City Court of November 25, 2015 and the claim of Fazil Aliev has not been satisfied. Fazil Aliev has appealed the decision of appeals court into the supreme court.

JSC "International Insurance Company Kamara"
Notes on the Individual Financial Statement
As of December 31, 2016
Accounting currency GEL

Note 18 - Events after the balance date (continuation)

The judicial dispute against the shareholders of JSC International Insurance Company Kamara have been conducted by Fazil Aliev in relation to redelivering (transfer to the ownership) of the real estate (cadastral number: 81.05.03.206) owned by JSC International Insurance Company Kamara to Fazil Aliev does not create an additional financial obligation for JSC International Insurance Company Kamara because in the corresponding financial statement of JSC International Insurance Company Kamara, the value of the above-mentioned property (in the amount assessed by the independent auditory company) is reflected as a liability

Note 19 - Consideration of the continuity of the enterprise

In the period of 2016 the management believes and is confident that continuous operating of the organization is not threatened and has no plans of liquidation or significant restriction of activity of the organization.

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სანოტარო მოქმედების
 რეგისტრაციის ნომერი

N170208399



სანოტარო მოქმედების
 რეგისტრაციის თარიღი

01.03.2017 წ

სანოტარო მოქმედების
 დასახელება

დოკუმენტის თარგმანზე დიპლომირებული
 მთარგმნელის ხელმოწერის დამოწმება

ნოტარიუსი

დარეჯან ახალბედაშვილი

სანოტარო ბიუროს მისამართი

ქ.თბილისი, ქუჩა მტკვარი, #6, სართული 1.

სანოტარო ბიუროს ტელეფონი

591706628

სანოტარო მოქმედების
 ინდივიდუალური ნომერი

49064696299317



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მე ნოტარიუსი დარეჯან ახალბედაშვილი, ჩემს სანოტარო ბიუროში, მდებარე: ქ. თბილისი, ქუჩა მტკვარი #6, სართული 1, ვამოწმებ ხელმოწერის ნამდვილობას, რომელიც შესრულებულია მთარგმნელის დავით მასურაძის მიერ (დაბ. 12/11/1989 წ., მისამართი: ქ.გორი სტალინის ქუჩა.N10/22 კ.ნ 59001077233), მთარგმნელმა წარმოადგინა ენის ცოდნის დოკუმენტი (სერთიფიკატი #0734, გაცემული უნივერსალური ცოდნის აკადემია მიერ, 25/10/2016). ხელმოწერის პირადობა დადგენილია. ქმედუნარობა და ნების გამოხატვის ნამდვილობა შემოწმებულია.

მე თარჯიმანი გავაფრთხილე იმ პასუხისმგებლობის შესახებ, რომელიც მოჰყვება არაზუსტ თარგმანს. მთარგმნელმა ჩემს წინაშე დაადასტურა, რომ ჯეროვნად ფლობს ინგლისურ და ქართულ ენებს. თარგმანი ზუსტია და თარგმანზე ხელი მოაწერა ჩემი თანდასწრებით .

გადახდილია სახლური თანახმად საქართველოს მთავრობის 29/12/2011 წ. დადგენილებისა , სანოტარო მოქმედებათა შესრულებისათვის სახლურისა და საქართველოს ნოტარიუსთა პალატის დადგენილების საფასურის ოდენობის მათი გადახდევინების წესისა და მომსახურების ვადები „მ.31.3 -2.00 ლარი+ 0.36 ლარი, თანახმად საქართველოს საგადასახადო კოდექსის 169 -ე მუხლისა +მ. 39.1 -2.00 ლარი.

I, notary Darejan Akhalbedashvili, in my notary bureau what is located at the address: c. Tbilisi, Mtkvari street № 6, first floor confirm the authenticity of signature of the English language translator David Maisuradze (personal №59001077233 , born on 12/11/1989, address: Gori str. N10/22). The translator presented the document confirming his knowledge of language (certificate #0734, issued by Universal Knowledge academy Uniko on 14.08.2015). Signatory's identity is established, capacity and Expression is tested for authenticity.

I warned translator about his responsibility for the correctness of the translation and Confirmed that he know English and Georgian languages , that translation is correct and make his signature in front of me
 Notary Fee: article 31.3 . 2 GEL + 0.36 According of 169 article to the Tax Code of Georgia , 39.1 2(two) GEL " On fee for execution of the notarial actions and amount of fee established for Notary Chamber of Georgia , order of it's payment and adoption of the service terms" approved by resolution N 507 of the Georgian Government as of December 29.2011

დოკუმენტი შედგება 61 ფურცლისაგან.

The document consists of 61 pages – sheets of papers.

თარჯიმნის ტელეფონი:577033430/Phone number of translator : 577033430

ნოტარიუსი

Notary

(Handwritten signature of Darejan Akhalbedashvili)

3/1/2017 3:04