

**JSC “PSP INSURANCE”**

**Consolidated Financial Statements**

1 January, 2015 – 31 December, 2015

**CONTENT :**

INDEPENDENT AUDITOR’S REPORT

Consolidated Statement of Comprehensive Incomes -----

Consolidated Statement of Financial Position -----

Consolidated Statement of Cash Flows -----

Consolidated Statement of Changes in Equity Capital -----

Notes to the Consolidated Financial Statements -----

## 1. INDEPENDENT AUDITOR’S REPORT

### About JSC “PSP INSURANCE” Accounting and Statement 2015

1. Independent auditor – Audit concern “TSODNISA” Ltd. have audited financial statement (attached) of JSC “PSP INSURANCE” (heinafter referred to as – the Company) and it’s subsidiary (jointly referred to as – the Group) as of 2015. Financial statement comprised statement of financial position as at 31 December 2015, profit and loss and other statement of comprehensive incomes for 2015, statement of changes in equity capital, statement of cash flows for the reporting year, basic principles of accounting policies and other explanatory information.

2. Management of *the group* is responsible for the preparation and fair presentation of this consolidated financial statement in accordance with International Financial Reporting Standards. This responsibility comprises development and implementation of adequate internal control system that are free from material misstatements, whether due to fraud and/or errors.

Our responsibility is to express our opinion on this consolidated financial statement based on our audit. We planned and conducted our audit in accordance with International Standards on Auditing so as to obtain reasonable assurance to be confident in trustworthiness of accounting statements. Selection of audit procedures depends on the auditor’s judgments, including the assessment of the risks of financial statements, whether due to fraud or material misstatements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. In accordance with the outcome obtained through the audit assessment, accounting of JSC “**PSP Insurance**” 2015 was carried out according to the financial reporting and International Financial Reporting Standards (IFRS). Consolidated financial statement for 2015 presents fairly, in all material respects, *the company* true financial position, incomes and expenses, its cash flows for the year ended 31 December 2015.

Audit concern “TSODNISA” LTD

General Director: Giorgi Tsertsvadze

12.04.2016

**JSC “PSP INSURANCE”**

Profit and loss and other statement of comprehensive incomes from January 1, 2015 inclusive December 31, 2015.

**“PSP INSURANCE” Ltd.**

	Note	2015	2014
Net insurance premium		17 742 294	9 261 337
Change in reserve for unearned premium		(790 575)	6 097 199
<b><i>Earned premium:</i></b>	4	<b><u>16 951 718</u></b>	<b><u>15 358 536</u></b>
Insurance Losses	5	(15 435 922)	(15 598 377)
Reserve for incurred but not reported losses	5	(466 072)	(323 246)
Broker’s and Agent’s charges		(37 649)	(48 023)
Other incomes from insurance activity		330 794	443 451
<b><i>Profit (loss) from insurance activity :</i></b>		<b><u>1 342 869</u></b>	<b><u>(167 659)</u></b>
Income from medical activity		-	553
Medical service expenses		(6 031)	(7 972)
Administrative expenses	8	(2 866 797)	(2 632 645)
<b><i>Total operating profit:</i></b>		<b><u>(1 529 959)</u></b>	<b><u>(2 807 724)</u></b>
Financial income	9	435 255	496 476
Profit (loss) from translation differences		602 441	141 846
Impairment reserve expenses		(147 481)	(42 247)
Other discounts		(151 020)	(43 880)
Other non-operation profit/ (loss)		42 918	13 238
<b>Profit before tax:</b>		<b><u>(747 845)</u></b>	<b><u>(2 242 291)</u></b>
Tax on profit	10	(67 476)	(306 561)
<b>Profit (loss) for the period</b>		<b><u>(680 369)</u></b>	<b><u>(1 935 730)</u></b>

*Director* \_\_\_\_\_ *Vladimer Bezhashvili*

*Head of Financial Service* \_\_\_\_\_ *Nestan Tkemaladze*

JSC PSP INSURANCE

Statements of Financial Position as for December 31, 2015

	NOTE	Balance 01.01.2016	Balance 01.01.2015
<b><i>Total current assets:</i></b>		<b>12 377 045</b>	<b>12 436 189</b>
Cash and cash equivalents	11	6 701 532	6 765 784
Current claims from the insurance activities	12	5 419 932	5 158 725
Inventory reserves		26 529	40 337
Other current claims	13	138 173	145 641
Prepaid payments		67 809	137 639
Interest receivable	14	23 069	188 062
<b><i>Total long-term assets:</i></b>		<b>1 158 285</b>	<b>1 235 551</b>
Fixed assets	15	240 552	228 037
Intangible assets	15	13 800	12 377
Deferred tax assets	16	903 934	839 767
Demand on fill in charter capital		-	155 370
<b><i>Total assets:</i></b>		<b>13 535 330</b>	<b>13 671 740</b>
<b><i>Total current liabilities:</i></b>		<b>6 127 966</b>	<b>6 371 272</b>
Liabilities incurred from delivery and services	17	1 465 304	1 196 054
Reserve for incurred but not reported losses		466 072	323 246
Reserve for reported but not settled losses		4 155 201	4 703 781
Other current liabilities	18	41 389	148 190
<b><i>Total long-term liabilities:</i></b>		<b>4 406 586</b>	<b>3 619 321</b>
Deferred income	19	4 406 586	3 619 321
<b><i>Total liabilities:</i></b>		<b>10 534 552</b>	<b>9 990 593</b>
<b><i>EQUITY</i></b>			
Charter capital	20	9 000 000	9 000 000
Retained earnings / (retained loss)		(5 999 222)	(5 318 853)
Profit (loss) for the current year		(680 369)	(1 935 730)
<b><i>Total EQUITY:</i></b>		<b>3 000 778</b>	<b>3 681 147</b>
<b><i>Total liabilities and Equity :</i></b>		<b>13 535 330</b>	<b>13 671 740</b>

Director \_\_\_\_\_ *Vladimer Bezhashvili*

Head of Financial Service \_\_\_\_\_ *Nestan Tkemaladze*

JSC PSP INSURANCE

Statement of Cash Flows from January 1 , 2015 inclusive January 31, 2016

	2015	2014
<b>Cash flows from operating activities</b>		
Insurance premium received	16 210 045	14 228 327
Monetary funds from the medical activities	-	553
Income from regress and survived property	196 013	100 624
Reimbursed losses	(15 084 223)	(13 066 757)
Paid salaries	(1 642 138)	(1 446 426)
Monetary funds paid to agents and brokers	(54 235)	(44 082)
Other operating expenses	(455 933)	(508 558)
Rental paid	(105 719)	(68 793)
Payments paid, except for the income tax, and penalties	(349 070)	(441 900)
Income tax paid	(26 800)	(4 000)
Imprest amounts	(23)	(263)
Other earnings	187 354	110 159
<b><i>Cash flow net increase from operating activities</i></b>	<b><i>(1 124 730)</i></b>	<b><i>(1 141 116)</i></b>
<b><i>Cash flows from investing activities</i></b>		
Purchase of fixed assets and intangible assets	(81 463)	(46 677)
Revenues from outflow of fixed assets and intangible assets	900	
Interests received	599 917	442 996
<b><i>Cash flow net increase from investing activities</i></b>	<b><i>519 354</i></b>	<b><i>396 319</i></b>
<b><i>Cash flows from financing activities</i></b>		
Revenues from the share emission / increase in equity	-	898 932
<b><i>Cash flow net increase from financing activities</i></b>	<b><i>-</i></b>	<b><i>898 932</i></b>
Increase (decrease) from changes in currency rates	541 125	128 867
<b><i>Net Increase of cash flows and their equivalents :</i></b>	<b><i>(64 252)</i></b>	<b><i>283 002</i></b>
<b><i>Cash flows and their equivalents at the beginning of the year:</i></b>	<b><i>6 765 784</i></b>	<b><i>6 482 783</i></b>
<b><i>Cash flows and their equivalents at the end of the year</i></b>	<b><i>6 701 533</i></b>	<b><i>6 765 784</i></b>

Director \_\_\_\_\_ Vladimer Bezhashvili

Head of Financial Service \_\_\_\_\_ Nerstan Tkemaladze

JSC PSP INSURANCE

Statement of Changes in Equity Capital as at December 31, 2015:

	Equity capital	Issued Capital	Revaluation reserves	Retained Income (loss)	Total
Balance as of December 31, 2013	9 000 000	-	-	(3 383 123)	<b>5 616 877</b>
Increase (decrease) of equity capital		-	-	-	
Profit / Loss for the current period	-	-	-	(1 935 730)	(1 935 730)
Balance as of December 31, 2014	9 000 000	-	-	(5 318 853)	<b>3 681 147</b>
Increase (decrease) of equity capital	-	-	-	-	
Profit / Loss for the reporting period	-	-	-	(680 369)	(680 369)
Balance as of December 31, 2015	9 000 000	-	-	(5 999 222)	<b>3 000 778</b>

*Director* \_\_\_\_\_

*Vladimer Bezhashvili*

*Head of Financial Service* \_\_\_\_\_

*Nestan Tkemaladze*

## JSC PSP INSURANCE

Explanatory Notes from January 1 , 2015 inclusive December 31, 2015

### 1. Basic Information

JSC PSP INSURANCE (hereinafter referred to as the “Company”) was incorporated on 22 August, 2007 by the Tbilisi Tax Inspection, under the identification No 202408386; Company legal address is : 3, Pushkini str., Old Tbilisi reg., Tbilisi. Company was registered under the Law of Georgia “On entrepreneurs”. On 18th of Decdember, 2015 PSP Insurance Ltd. changed its legal status pursuant to the Law of Georgia “On Insurance” and was granted a new legal status – JSC PSP INSURANCE. The Company is not a VAT-payer entity. The Company founder as of December 31, 2015 is a citizen of Georgia Kakhaber Okriashvili, who owns 100 % shares of the Company. The company’s equity capital equals to 9000000 Georgian Lari.

The company major activity comprises of almost all types of insurance activities except for the reinsurance services.

”New Clinic” Ltd (hereinafter referred to as subsidiary company) is a subsidiary company with 100 % interests in the founder company. The company was established by the founder Company on February 10, 2012, the legal address is - # 150, David Agmashenebeli Avenue,. Old Tbilisi region, Tbilisi, Georgia. Company identification number - 404415753. Company Directory is Nino Kekenadze. The charter capital equals to GEL 32500, from which 23916.40 GEL is filled out.

The main activity of the ”New Clinic” Ltd is rendering of medical services.

### 2. Subsidiary companies

JSC “PSP Insurance” is a founder company which comprises of following consolidated subsidiaries in the present statement:

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Subsidiary company	Country	Charter capital	Field of activity	Foundation Date	
”New Clinic” Ltd	Georgia	32500 GEL	Medical services	10.02.2012	100%

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### **3. Significant Accounting Policies**

JSC PSP Insurance financial statements of the calendar year 2015 is prepared in accordance with the International Financial Reporting Standards ('IFRS'). *The Company* is required to produce financial statements in Georgian Lari in accordance with International Financial Reporting Standards.

Consolidated financial statements has been prepared taking into consideration the principles of the initial (historical) values. The Reporting year of the Company's single subsidiary company which is involved in consolidation is ended as well as for the parent company - on 31th of December.

Consolidated financial statements has been prepared based on the assumptions that the group proceeds with its function as "Going Concern".

It is necessary the Group's management make assessments and certain assumptions to prepare consolidated financial statements that make impact on the application of accounting policies, revenues, expenditures, assets and liabilities, as well as carrying them at the financial statements. These assumptions and estimates will be based on the Group's experience and on various factors that are reasonably portrayed from the situation.

Consolidated financial statements is represented in precision of 1 (one) Georgian Lari due to the fact that the majority of the Company operations are performed in Georgian national currency. Operations presented in other currencies are discussed as the operations carried out in foreign currencies. The Company represents the statements of the financial position in accordance with the liquidity of balance articles.

Below are the essential accounting policies, which were used in the preparation of financial statements.

#### **3.1. Basis of consolidation**

Subsidiaries are those companies (except the events when the subsidiaries comply with classification criteria intended for sale) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to govern them so as to obtain benefits except for the events when such a property doesn't obviously mean the control.

Consolidation of the subsidiaries is conducted from the very moment when the Group takes control over them and is terminated after the moment when the Group loses the control.

### **3.2. Cash Flows**

The company represents the cash flows from the sales of insurance policies/insurance contracts and purchase of reinsurance contracts (if available) as operating cash flows in view of the fact that company's main activity is the insurance business.

### **3.3. Insurance contracts and insurance revenue recognition**

Insurance contracts/insurance policies are defined as contracts/policies that include significant insurance risk from the moment the contracts/policies enter into force, or at the time the contracts/policies come into force. Insurance risk may be significant which depends on probability of an insured event and volume of its future results. Once the contract is recognized as the insurance contract, it is considered as an insurance contract for its remaining validity period (unless its cancellation / annulment), even if the insurance risk is significantly reduced.

The company generates its revenue from the sale of various types of insurance contracts / insurance policies. The company recognizes the revenue generated from the insurance contracts / insurance policies as earned income in accordance with the insurance contracts / insurance policies or bank guarantee of the warranty period. At the moment the company issues the policy and the bank guarantee it recognizes the full amount of insurance premium (bank guarantee fee) as raised earnings and further evenly distributes them over the relevant periods (days).

### **3.4. Other income**

The company other income is interest income from deposits in the commercial banks of Georgia. The Company recognizes interest income in accordance to the period during which the income is received and carries it at profit and loss and other comprehensive income statements.

### **3.5. Other non-insurable expenses**

The Company recognizes other non-insurable expenses at the time of their occurrence and carries the expenses at the reporting period to which they belong to.

### **3.6. Deferred revenue**

The company defers incomes of future periods and carries them at balance. That part of insurance premiums, which belongs to the further periods are deferred as unearned premium. The change in reserves of unearned premium is carried at in the consolidated statement of profit and loss in such a way that the revenues are recognized during the risk period, or in proportion to the expected future benefits.

### **3.7. Insurance Reserves**

Insurance reserves forming regulation is governed by the Insurance Supervision Service of Georgia. On December 31, 2015 the company had three types of reserves identified under the legislation of Georgia: reserves for unearned premium, reserves for reported but not settled losses (RBNS) and reserves for incurred but not reported losses (IBNR). Company reserves for reported but not settled losses consists of two parts: the part of the reserves that at the end of the same reporting period entered the company on a document (invoice) basis; The part of the reserves, the amount of which is not approved by a tax document, but the amount can be reliably measured.

### **3.8. Contributions**

Contributions is held in the balance provided that the company has a legal or constructive obligation as a result of past events and it is supposed to depart the economic benefits in order to cover mentioned liability.

### **3.9. Cash and cash equivalents**

Cash and cash equivalents for the Company include cash in hand, money on current accounts in bank and money on the bank deposits.

### **3.10. Claims from insurance activities and other current requirements**

Claims on insurance and reinsurance are recognized based on the terms of the insurance contracts/insurance policy/reinsurance contracts and are determined by the contractual amount (value). Overview with respect to impairment on the carrying amount of the insurance claims occurs when events and circumstances indicate that the carrying value may not be restored. Impairment loss is recognized in the company’s statement of comprehensive income.

Reinsurance claims include residues acceptable from insurance and reinsurance companies for the transferred insurance liabilities. Imposed reinsurance premiums are recognized in the same manner as the income received directly from activity. Amounts paid to reinsurers are recognized in accordance to reinsured policies and reinsurance contracts.

Impairment analysis is carried out for all reinsured assets when the risk of impairment arises. Impairment on reinsurance claims occurs when there is the evidence that the Group may not receive all the money payable to it under the terms of the reinsurance contract and it can be measured as reliable fact.

Other claims are all other current claims except for non-insurable claims, pre-paid fees and preliminary expenses.

Loss arose from the impairment on insurance and other claims are carried at the statements of profit and loss and other comprehensive income.

### **3.11. Financial assets**

Financial assets in accordance with the International Accounting Standards (IAS) 39 are classified as fair value financial assets through statements of profit and losses, as loans and receivables, investments in fixed-term, or financial assets on sale. Initially, financial assets are recorded at market value, however, in the case if the investments occurred at non-market value through profit or loss, their fair value is directly added by transaction-related costs. The Company determines the classification of financial assets at initial recognition. The classification depends on the purpose of generating or acquisition of investment.

Generally, financial assets are classified at fair value through profit or loss, because of the group's strategy is to manage the financial assets that are bought to cover its liabilities envisaged under the

insurance and investment contracts, on the same basis, at fair value. Categories available for sale and held to maturity are used when the relevant liability are passively managed and / or are carried at amortized cost. Typically, sales and purchase of financial assets are recognized on the day of trading operation, i.e. on the date when the Group acquires assets. Purchases and sales of financial assets are the operations, which require delivery of the asset to the destination within the terms set forth under the law or established on the market.

Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not quoted on the market. Such assets are carried at amortized cost using the effective interest method. All transaction related expenses are included in the investment cost. Gains and losses are recognized in the statement of consolidated comprehensive income during the loans and demands write-off or impairment, as well as the depreciation process.

Financial assets and liabilities are offset and carried with the net amount at the statement of comprehensive income when there is a legally enforceable right to the offset and intentions for their net coverage, or the intention to realize the asset and cover the liability in an instant. Income and expense are not offset at the statement of comprehensive income if it is not required or permitted by any accounting standards or interpretation.

### **3.12. Fixed assets**

The Group records fixed assets at its historical (initial) cost considering depreciation. Initial cost includes expenses that are directly related to the acquisition of these fixed assets. Further costs are included in the asset's carrying amount or recognized as a separate asset, in the event if future economic benefits associated with the asset will be possible to direct to the Group and value of the asset can be calculated. All other repair and maintenance costs are carried at the profit and loss account for the relevant period.

The calculation of depreciation of fixed assets is held through equally write-off before their initial or reevaluated value to the liquidation value during their life, namely:

- Furniture and other inventory - 10 years;
- Computers and equipment of communications - 5 years;

Fixed assets are amortized from the month, when they are launched in exploitation or they are ready for launching in exploitation.

Review of the carrying value of the fixed assets on impairment is carried out when the events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognized in the statements of profit and loss and other comprehensive incomes.

Any revaluation surplus of the fixed assets are added to the reserves for fixed assets revaluation included in equity, except for the event when it makes a reversal of decrease of the assets revaluation, which previously had been recognized in the statements of comprehensive income; In this case, the increase is carried at the consolidated statements of comprehensive income. A revaluation deficit is recognized in the consolidated statements of comprehensive income, except for the event when the deficit, which directly annuls the excess of the same assets, is repealed by increase of reserves for fixed assets revaluation.

Carrying of fixed assets from revaluation reserves at retained earnings are held for the difference between the depreciation calculated on the basis of the revalued carrying amount and the depreciation calculated based on the initial value. In addition, accumulated depreciation for the date of revaluation is deducted at the total carrying value of the asset and revaluated asset is re-charged at net value. During transfer any revaluation reserves related to sold certain asset is transferred to retained earnings. Repair or renovation related costs are recorded at the time of its generation and they are involved in other operating expenses, unless there is basics of their capitalization.

Fixed assets are written off after the sale or when no future economic benefits are expected as a result of its use or sale. The gain or loss incurred from writing off the fixed assets (calculated as the difference between the net proceeds from the sale and the carrying amount of the asset) is recorded in statements of comprehensive income for the year when the asset is written off.

### **3.13. Intangible assets**

#### ***Licenses***

Licenses are carried at initial value. Licenses have a limited life term and are carried at historical cost net less accumulated depreciation. Depreciation is calculated through evenly writing off the value during life term (15%, 6, 7 years).

### ***Computer Software***

Acquired software licenses are capitalized in accordance with the expenses on a certain software purchase and installation. These expenses are amortized over the useful life (15%, 6, 7 years). Costs on software programs development and support are considered in expenses according to their generation. Costs that are directly related to development of separate individual software product which the group supervises and after it's utilization for more than one year the income will be obtained that exceeds the cost price, are recorded in intangible assets. Software development costs include software development specialists' labor compensation and relevant part of distributable overhead costs.

### **3.14. Insurance liabilities**

General insurance liabilities include reserves for outstanding claims, reserves for unearned premium and reserves for premium shortage. General contractual obligations are based on the final cost specified for all the claims, which was raised, but was not settled by the reporting date, regardless of whether they were reported or not. Costs for settlement of the claims are added to the mentioned.

The liability is recorded on the basis of data for the reporting date and based on current assumptions. Liability is not discounted for the time value of money. The obligations are written off during the expiry of its term, termination or cancellation. Reserves are recognized when the contract enters into force and premium is accrued and is recorded as premium income over the contract period, in accordance with the insurance scheme of contract. The company reviews its current risk of each reporting date and determines increase of expected claims and deferred acquisition costs in respect of the unearned premium through the obligation adequacy test.

### **3.15. Current liabilities**

Current liabilities are those accruals on provided goods /rendered services.

### **3.15. Payments**

Income tax expenses consists of current and deferred income taxes. The part of the income tax which directly refers to the equity is directly carried at the articles on capital. In such cases, the income tax will be carried directly in equity.

The Company current income tax is calculated by using of the income tax and current payment rate. Deferred income tax is determined using the balance sheet liability method considering the temporary differences which arises between the assets (liabilities) calculated under the International Accounting Standards and the assets calculated under consideration of tax legislation. Deferred taxes of International Accounting Standards # 12 are calculated under consideration of the tax rates which are effective or will become effective during the period, when the Company faces the time to use deferred asset (liability). In addition to this, if there will be any benefit from the Company tax losses which can be transferred to the future periods, the mentioned benefit (deferred asset) also will be included in calculation of deferred taxes.

Deferred taxes are not calculated only in the event if the benefit of the mentioned taxes can not be used. Income tax rate for 2015 in Georgia equaled to 15 %.

### **3.16. Currency conversion**

The consolidated financial statements are presented in GEL, which is the company's functional currency. Foreign currency conversion is held at the exchange rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Lari using the official exchange rate of the National Bank of Georgia ("NBG") at the reporting date.

Profit and loss resulting from revaluation of foreign currency transactions are recognized in the consolidated statement of comprehensive income as the profit and loss arising from foreign currency translation (translation differences), except for the events when the profit and loss are recognized directly in equity less currency exchange component. Non-monetary items recognized in a foreign currency in terms of historical value are converted at the exchange rate ruling on date of the initial transaction. Non-monetary items determined in foreign currencies at fair value are converted by using of exchange rate ruling at the date of fair value determination. Differences

between the contractual exchange rate of the operation and the currency exchange rate issued by NBG ruling at the date of operation are involved in operations as a result of foreign exchange gains less losses.

Official exchange rates of NBG :

31.12.2014 - USD 1 = 1.8636 GEL, EUR 1 = 2.2656 GEL,  
 31.12.2015 - USD 1 = 2.3949 GEL, EUR 1 = 2.6169 GEL.

#### 4. Earned net insurance premium

During 2015 the company received insurance income through the sale of following types of insurance contracts / insurance policies:

		2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)
		Health Insurance	Land Vehicle Insurance	Responsibilit y Insurance	Travel Insurance	Obligation Performan ce Insurance	Life Insurance	Accident Insurance	Total
Raised premium	total	14 034 766	725 175	8 000	1 123 068	3 911	1 488 660	358 714	<b>17 742 294</b>
Movements in reserves for unearned premium	in for	(686 777)	29 963	(337)	(33 896)	(1 026)	(71 456)	(27 047)	<b>(790 575)</b>
<b>Earned premium</b>		<b>13 347 989</b>	<b>755 138</b>	<b>7 663</b>	<b>1 089 172</b>	<b>2 885</b>	<b>1 417 204</b>	<b>331 667</b>	<b>16 951 718</b>

#### 5. Insurance losses

	2015 (GEL)	2015 (GEL)
Health Insurance	15 120 099	13 540 916
Life Insurance	233 178	175 396
Auto Insurance	530 338	2 178 959
Other Insurance	18 379	26 352
	<b>15 901 994</b>	<b>15 921 624</b>

## 6. Other revenues from insurance activity

Company other revenues from the insurance activity amounted to 330794 GEL for 2015 period. Other revenues from the insurance activity during the reporting period were the revenues remained from the property 91324 GEL and revenues obtained from the regression 239470 GEL.

## 7. Brokers’ and agents’ commission expenses

During the reporting period the company's commission expenses were mainly the compensations paid to agents and brokers in regard to raise of insurance contracts. Commission expenses, as a rule, are the fixed payments that are directly related to raising of new insurance contracts (policies) in the company. They are recorded systematically directly during rendering the service.

## 8. Administrative expenses

	2015 (GEL)	2014 (GEL)
Job compensation	2 027 008	1 951 673
Lease	257 042	197 395
Marketing expenses	4 956	78 166
Stationary expenses	66 938	42 539
Office inventory expense	46 566	37 513
Tax expenses	2 059	2 184
Bank expenses	21 826	29 129
Consultation costs	49 909	22 961
Depreciation and amortization	82 302	70 447
Representation expenses	18 183	253
Family doctor service fees	29 508	27 795
Other expenses	260 499	172 590
	2 866 797	2 632 645

## 9. Financial incomes

The Company deposited its own funds in five different banks – JSC “Bank of Georgia”, JSC “Procredit Bank”, JSC “VTB Bank Georgia”, JSC “Bank Republic” and JSC “Liberty Bank” – during 2015 as well as during 2014 periods.

The Company's financial income for 2015 was the revenues gained from deposits in banks and accrued on the current accounts that amounted to 435255 GEL.

As far as the Company represents a licensed financial institution, the obtained interests from other licensed financial institution pursuant to the Tax Code of Georgia are subject to taxation by 15 % income tax rate.

	2015 (GEL)	2014 (GEL)
JSC Bank Republic	162 874	170 825
JSC Liberty Bank	165 555	157 187
JSC VTB Bank	8 776	6 999
JSC Procredit Bank	35 071	60 544
JSC Bank of Georgia	62 980	100 922
	<u>435 255</u>	<u>496 476</u>

## 10. Income tax expenses

*Income tax expenses comprises the following:*

	2015	2014
<i>JSC “PSP Insurance”</i>	(50 794)	(319 454)
<i>Ltd “New Clinic”</i>	(16 683)	12 893
<i>Total income tax expenses:</i>	<u>(67 476)</u>	<u>(306 561)</u>

*Structure for income tax expenses in accordance with the companies included in Group is as follows:*

*Structure of JSC “PSP Insurance” income tax expenses:*

	2015 (GEL)	2014 (GEL)	2013 (GEL)
Profit / (loss) before tax	(657 268.35)	(2 311 773.62)	452 870
Income tax effective interest rate	15%	15%	15%
Financial income tax	(98 590)	(346 766)	67 931
Changes from nondeductible expenses	47 797	27 312	(43 484)
Additional income for payment purpose			
Income tax gains (expenses)	<u>(50 794)</u>	<u>(319 454)</u>	<u>24 447</u>

*Structure of the “New Clinic” Ltd income tax expenses:*

	2015 (GEL)	2014 (GEL)
Profit / (loss) before tax	(90 577.09)	69 482
Income tax effective interest rate	15 %	15%
Financial income tax	(13 587)	10 422
Changes from nondeductible expenses	(3 096)	2 471
Additional income for payment purpose		
<b>Income tax gains (expenses)</b>	<b>(16 683)</b>	<b>12 893</b>

## 11. Cash and cash equivalents

	Balance 01.01.2016 (GEL)	Balance 01.01.2015 (GEL)
Cash in hand	14 324	34 056
Current bank accounts	1 561 798	872 488
Deposits	5 125 410	5 859 240
	<b>6 701 532</b>	<b>6 765 784</b>

## 12. Current claims from insurance activity

Company’s receivables from health insurance, life insurance, auto insurance, obligation performance insurance and other insurance activity as at 31 December 2015 amounts to 5419932 GEL.

	Balance 01.01.2016 (GEL)	Balance 01.01.2015 (GEL)
Insurance claims	5 708 230	5 299 542
Reserves on insurance claims impairment	(288 298)	(140 187)
	<b>5 419 932</b>	<b>5 158 725</b>

### 13. Other current claims

	Balance 01.01.2016	Balance 01.01.2015
	(GEL)	(GEL)
Advances paid to suppliers	91 453	91 453
Claims against the company’s staff	1 651	7 745
Deferred commission costs	4 386	26 732
Other current assets	40 683	19 711
	<b>138 173</b>	<b>145 641</b>

### 14. Interest receivable from the bank deposits

As at 31 December 2015 the company had to receive accrued interests from the bank deposits according to the following structure:

	Balance 01.01.2016	Balance 01.01.2015
	(GEL)	(GEL)
JSC Liberty Bank	9 621	6 865
JSC Bank of Georgia	567	4 958
JSC Bank Republic	11 171	175 565
JSC Procredit Bank	1 710	121
JSC VTB Bank Georgia	-	552
	<b>23 069</b>	<b>188 062</b>

### 15. Fixed assets and intangible assets

	Office equipments (GEL)	Computers and Communication equipments (GEL)	Machinery and Equipments (GEL)	Other fixed assets (GEL)	Intangible assets (GEL)	Totally (GEL)
<b>Historical value</b>						
Balance as of 1 January 2015	167 032	235 078	1 711	13 241	23 534	<b>440 595</b>
Addition	27 509	57 950	-	-	11 138	<b>96 597</b>
Reduction		4 287	-	-	-	<b>4 287</b>

<b>Balance as of 31 December 2015</b>	<b>194 541</b>	<b>288 741</b>	<b>1 711</b>	<b>13 241</b>	<b>34 672</b>	<b>532 905</b>
					13 800	
<b>Depreciation, amortization and impairment</b>						
Balance as of 1 January 2015	56 108	128 630	914	3 373	11 157	<b>200 182</b>
Depreciation, amortization expenses	22 698	49 547	342	-	9 715	<b>82 302</b>
Write off		3 930				<b>3 930</b>
<b>Balance as of 31 December 2014</b>	<b>78 806</b>	<b>174 247</b>	<b>1 257</b>	<b>3 373</b>	<b>20 872</b>	<b>278 554</b>

## 16. Deferred tax asset

Deferred tax asset comprises of:

	2015	2014
<i>JSC "PSP Insurance"</i>	890 561	839 767
<i>Ltd "New Clinic"</i>	13 372	(3 310)
<b>Total deferred tax asset (liability) :</b>	<b>903 934</b>	<b>836 457</b>

*Structure of JSC "PSP Insurance" deferred tax asset:*

	<i>Residual value (Financial)</i>	<i>Residual value (tax)</i>	<i>Temporary differences</i>	<i>Income tax acting rate</i>	<i>Income tax asset (liability)</i>
<b>2015</b>					
<i>Fixed assets</i>	205 752		(205 752)	15%	(30 863)
<i>Intangible assets</i>	13 800	24 513	10 713	15%	1 607
<i>tax expenses</i>		6 132 115	6 132 115	15%	919 817
<b>Totally:</b>	<b>219 552</b>	<b>6 156 627</b>	<b>5 937 075</b>		<b>890 561</b>

	<i>Residual value (Financial)</i>	<i>Residual value (tax)</i>	<i>Temporary differences</i>	<i>Income tax acting rate</i>	<i>Income tax asset (liability)</i>
<b>2014</b>					
<i>Fixed assets</i>	205 967	-	(205 967)	15%	(30 895)
<i>Intangible assets</i>	12 377	14 226	1 849	15%	277
<i>tax expenses</i>		5 802 567	5 802 567	15%	870 385
<b>Totally:</b>	<b>218 344</b>	<b>5 816 793</b>	<b>5 598 449</b>		<b>839 767</b>

*Structure of "New Clinic" Ltd deferred tax asset:*

	<i>Residual value (Financial)</i>	<i>Residual value (tax)</i>	<i>Temporary differences</i>	<i>Income tax acting rate</i>	<i>Income tax asset (liability)</i>
<i>2015</i>					
<i>Fixed assets</i>	34 799		(34 799)	15%	(5 220)
<i>Intangible assets</i>			-	15%	-
<i>tax expenses</i>		123 949.22	123 949	15 %	18 592
<i>Totally:</i>	<b>34 799</b>	<b>123 949</b>	<b>89 150</b>		<b>13 372</b>

	<i>Residual value (Financial)</i>	<i>Residual value (tax)</i>	<i>Temporary differences</i>	<i>Income tax acting rate</i>	<i>Income tax asset (liability)</i>
<i>2014</i>					
<i>Fixed assets</i>	22 070		(22 070)	15%	(3 310)
<i>Intangible assets</i>			-	15%	-
<i>tax expenses</i>			-	15%	-
<i>Totally:</i>	<b>22 070</b>	<b>-</b>	<b>(22 070)</b>		<b>(3 310)</b>

**17. Liabilities incurred from supply and service**

As of 31 December, 2015, short-term liabilities arising from the company's supply and services rendered - in the amount of 1 465 304 GEL were the liability for the accrued in 2015 but still unpaid general administrative expenses. 642 000 GEL out of the mentioned sum is "PSP Farm" Ltd payables, which represents the Company's lease obligations during the year 2010-2015 and the obligations originated based on offsetting of payables with provider clinics are : Ltd "PSP Farm " - 115 244 GEL, Ltd "PSP Pharmacy" - 671 870 GEL " .

## 18. Other current liabilities

	Balance 01.01.2016	Balance 01.01.2015
	(GEL)	(GEL)
Due taxes	26	4 476
Liabilities before the company staff	96	15
Salaries payable	11	62 115
Other current liabilities	309	766
Agent's service	26 562	30 929
Brokerage service	14 386	49 888
	<b>41 389</b>	<b>148 190</b>

## 19. Deferred income

	Balance 01.01.2016	Balance 01.01.2015
	(GEL)	(GEL)
Deferred income medical (health) insurance	3 491 581	2 804 804
Deferred income land vehicles (except for railway transport) insurance	223 186	253 150
Deferred income civil responsibility insurance related to land vehicles utilization	27 505	27 168
Deferred income obligations performance insurance	1 026	-
Deferred income travel insurance	178 006	144 110
Deferred income life insurance	212 518	141 062
Deferred income accident insurance	272 765	245 717
	<b>4 406 587</b>	<b>3 616 011</b>

## 20. Charter Capital

The company's reported charter capital is equal to 9 000 000 GEL from which 9 000 000 GEL is filled. No dividends were reported during 2015.

## 21. Going Concern

The accompanying financial statements prepared in accordance with the International Financial Reporting Standards is prepared to the extent that the company is a going concern, which means that assets' realization and settlement of liabilities are held through the ordinary course of business.

*Translation from Georgian into English is true and correct.*

Translated by: *Ilena Beraia* Ilena Beraia

სანოტარო მოქმედების  
რეგისტრაციის ნომერი

N160476077

სანოტარო მოქმედების  
რეგისტრაციის თარიღი

06.05.2016 წ

სანოტარო მოქმედების დასახელება

დოკუმენტის თარგმანზე დიპლომირებული  
მთარგმნელის ხელმოწერის დამოწმება

ნოტარიუსი

ნინო ხოფერია

სანოტარო ბიუროს მისამართი

ქ. თბილისი, რუსთაველის გამზ. 28/2

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ინდივიდუალური ნომერი



სანოტარო მოქმედებისა და სანოტარო აქტის შესახებ ინფორმაციის (მისი შექმნის, შეცვლის და/ან გაუქმების შესახებ) მიღება—გადამოწმება შეგიძლიათ საქართველოს ნოტარიუსთა პალატის ვებ-გვერდზე: [www.notary.ge](http://www.notary.ge) ასევე შეგიძლიათ დარეკოთ ტელეფონზე: **+995(32) 2 66 19 18**

მე, ნოტარიუსი, ნინო ხოფერია, რომლის სანოტარო ბიურო მდებარეობს, მისამართზე: საქართველო, ქ.თბილისი, რუსთაველის ქ. № 28/2, ვადასტურებ ინგლისური ენის უმაღლესი განათლების დიპლომის მქონე მთარგმნელის, ილონა ბერაიას (დაბადებული 08.11.1976 წელს, პ/ნ 01012014181; მცხოვრები: თბილისი ვაზისუბნის IV მ/რ I კვ. კორ. 4 ბ. 26 ), ხელმოწერის სინამდვილეს.

I, Notary, Nino Khoperia, Whose notary office is located at: 28/2, Rustaveli Ave. Tbilisi, Georgia, certify herewith the authenticity of the signature of Ms **ILONA BERAIA**, translator with a English Language Higher Education Diploma, born on 08.11.1976, personal num. 01012014181, residing at: apt.264. building 4, I quarter, Vazisubani dist, Tbilisi.

მთარგმნელი გაფრთხილებულია, რომ პასუხს აგებს თარგმანის სიზუსტეზე და იგი იძლევა თარგმანის სისწორის გარანტიას.

The translator is warned about her responsibility for correctness of the translation and she guarantees the correctness of the translation.

დოკუმენტი შედგენილია ორ ეგზემპლარად.

ხელმოწერა მოწმდება მხოლოდ ბოლო გვერდზე.

გადახდილია სახლური სულ 6.72 (ექვსი ლარი სამოცდათორმეტი თეთრი) ლარი, თანახმად სანოტარო მოქმედებათა შესრულებისათვის სახლურის შესახებ მთავრობის დადგენილების მუხლი 31, აგრეთვე დღე თანახმად საქართველოს საგადასახადო კოდექსის 169-ე მუხლისა და 2 (ორი) ლარი დღე-ს ჩათვლით სანოტარო მოქმედებათა შესრულებისათვის საქართველოს შესახებ 39-ე პ.1 მუხლის შესაბამისად.

ნოტარიუსი

ნ. ხოფერია

Notary

N. Khoperia

