TSODNISA
AUDIT CONCERN

JSC Standard Insurance Georgia

Financial Statements

With Independent Audit Opinion on the accounting period
ending on December 31, 2016

CONTENTS

Management's responsibility

The Management is responsible for preparation of financial statements, which must fairly represent the financial position of the Company, operating results, cash flows and and changes in equity for the year ending on December 31, 2016, in accordance withInternational Financial Reporting Standards (IFRS).

While preparing Financial Statements the Management is responsible for:

- Choosing and consistent abiding to the correct principles of accounting;
- Presenting of information, including accounting policies that enable correct, reliable, comparable and understandable information;
- Taking correct and reasonable decisions on judgements and appraisals;
- Preparing financial Statements based on continuity assumption, unless it is impossible due to the circumstances.

The Management is also responsible for:

- Developing, implementing and maintaining effective and stable internal control system;
- Maintaining such accounting records that at any time enable presenting of financial position of the company with sufficient accuracy, as well as compliance of Financial Statements with IFRS;
- Maintaining mandatory accounting records in accordance with the Georgian Law and Accounting Standards;
- Taking necessary actions to secure the assets of the company; and
- Revealing and avoiding fraud, errors or other breaches.

Financial Statements for the year ended on December 31, 2016, are approved by the Management and signed on their behalf:

General Director -- *N. Gurbanov*

Head of Finance Department --- *M. Guruli*

Auditing Concern "TSODNISA" Ltd
41,Vazha-Pshavela ave., Tbilisi, Georgia. Identification code 211344188
Tel.: 239-33-50 E-mail: info@tsodnisa.ge

Independent Auditor's Opinion

Independent Auditor – Audit Concern "Tsodnisa" LTD has audited the accompanying financial statements of the **JSC Standard Insurance Georgia** (hereinafter – Company). Financial Statements included the statements of financial position as of December 31, 2016, statements of profit and loss and other comprehensive income, statements of changes in equity and cash flow statements for the accounting period, main principles of accounting policies and explanatory notes.

Management's responsibility for the Financial Statements

The Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: developing and implementing the internal control system that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, in such a form that would convince us in fairness of the accounting statements. The Standards of Auditing require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing certain procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's considerations and professional judgment, including the assessment of the risk of material misstatements of the financial statements whether due to fraud and/or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Management and the accuracy of accounting records, as well as evaluating the overall presentation of the financial statements.

We believe that the audit gives us sound basis to express our opinion.

Opinion

In our opinion, the financial statements of **JSC Standard Insurance Georgia** for the year 2016 in every main aspect give a true and fair view of the financial position of the Company, income and expenses, and cash flows as of December 31, 2016.

Audit Concern "Tsodnisa" LTD
General Director, Certified Auditor

George Tsertsvadze
12.04.2017

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SOCIETY WITH LIMITED RESPONSIBILITY "TSODNISA"
211344188

Statements of Profit and Loss and other Comprehensive Income

For the year ended on December 31, 2016

(1GEL)

	Note	2016	2015
Gross premium written		5 406 368	4 516 652
Change in the unearned premium provision		145 225	(264 841)
Reinsurance expense		(947 731)	(945 001)
Net earned insurance premium:	5	**4 603 863**	**3 306 810**
Insurance claims	6	(3 004 542)	(2 575 529)
Agents and brokers commission		(425 600)	(254 715)
Part of reinsurer in Insurance claims	7	104 268	96 557
Reinsurance commission income		165 092	171 099
Other income from insurance operations	8	344 821	554 138
Impairment charge		(202 517)	(303 738)
Change in incurred but not reported claims provision		(60 892)	5 889
Income (Loss) from insurance operations:		**1 524 493**	**1 000 511**
Administrative costs	9	(1 483 266)	(1 467 734)
Total operational income:		**41 228**	**(467 222)**
Financial income	10	94 571	118 183
Other non-operational income/(loss)	11	198 438	435 105
Income before tax:		**334 237**	**86 065**
Income tax expense	12	45 177	35 741
Income (Loss) for the period		**289 060**	**50 324**
Total comprehensive income (loss) for the year		**289 060**	**50 324**

Financial Statement is approved on April 12, 2017 by:

General Director -- *N. Gurbanov*

Head of Finance Department -- *M. Guruli*

The accompanying notes on pages 9 to 45 inclusive are an integral part of the present financial statements.

Statement of Financial Position

as of December 31, 2016

(1GEL)

	Note	31 December, 2016	31 December, 2015
Assets:			
Cash and cash equivalents	13	3 670 690	3 093 181
Current insurance receivables	14	1 809 674	1 767 753
Other receivables from reinsurance	15	501 175	1 728 397
Inventory	16	92 047	72 624
Prepaid reinsurance expenses	17	304 608	551 869
Interest, dividends, etc.	18	21 482	5 073
Other current Assets	19	414 157	435 072
Fixed assets	20	81 294	110 494
Intangible assets		41 227	8 324
Deferred tax asset	21	133 638	178 815
Total assets:		**7 069 993**	**7 951 601**
Liabilities:			
Reported but not settled claims provision	22	514 330	472 462
Incurred but not reported claims provision		178 661	117 769
Liabilities to the reinsurer and broker	23	1 084 161	2 980 143
Deferred income	24	2 062 381	2 207 607
Future income from the reinsurance commission	25	9 195	115 665
Other current liabilities	26	233 335	194 719
Total liabilities:		**4 082 063**	**6 088 365**
Share capital	27	5 315 633	4 480 000
Retained earnings / (accumulated loss)		(2 327 704)	(2 616 764)
Total equity:		**2 987 929**	**1 863 236**
Total Equity and Liabilities:		**7 069 993**	**7 951 601**

Financial Statement is approved on April 12, 2017 by:

General Director -- *N. Gurbanov*

Head of Finance Department -- *M. Guruli*

Standard Insurance Georgia 204540274 Insurance Company GEORGIA

The accompanying notes on pages 9 to 45 inclusive are an integral part of the present financial statements.

Statement of Cash Flows

for the year ended on December 31, 2016

(1 GEL)

	2016	2015
Cash flows from operating activities		
Insurance premium received	5 286 713	4 327 503
Reinsurance premium paid	(393 432)	(336 080)
Claims paid	(2 835 331)	(2 344 591)
Cash received from reinsurance commission	2 021	20 855
Cash received from saved property and subrogation	124 523	175 994
Agents and brokers commission	(358 970)	(200 819)
Salaries paid	(804 602)	(797 565)
Taxes paid, other than income tax	(321 291)	(303 276)
Cash Paid for Bank Charges	(6 202)	(3 783)
Rental paid	(127 265)	(146 468)
Audit and consulting	(39 440)	(25 974)
Communication costs and utilities	(20 764)	(25 260)
Cash Paid for stationary expenses	(10 781)	(13 893)
Cash paid to other vendors	(35 576)	(23 951)
Cash flows from other operating activities	(156 670)	(153 994)
Net cash flows from operating activities:	**302 931**	**148 697**
Cash flows from investing activities		
Purchase of fixed assets	(4 866)	(32 329)
Purchase of intangible assets	(40 805)	(3 000)
Interest received from deposits	76 496	117 151
Net cash flows from investing activities:	**30 826**	**81 822**
Cash flows from financing activities:	-	-
Net cash flows from financing activities:	-	-
Foreign exchange translation income (loss)	243 752	444 548
Net increase in cash and cash equivalents:	**577 509**	**675 067**
Cash balance, beginning of period:	**3 093 181**	**2 418 114**
Cash balance, ending of period:	**3 670 690**	**3 093 181**

Financial Statement is approved on April 12, 2017 by:

General Director -- *N. Gurbanov*

Head of Finance Department -- *M. Guruli*

The accompanying notes on pages 9 to 45 inclusive are an integral part of the present financial statements.

Statement of Changes in Equity
for the year ended on December 31, 2016
(1GEL)

	Share capital	Issued capital	Revaluated reserves	Accumulated income (loss)	Total:
Balance at 31 December 2014	**4 480 000**	-	-	**(2 667 088)**	**1 812 912**
Increase (decrease) of share capital	-	-	-	-	-
Income (loss) for the current period	-	-	-	50 324	**50 324**
Balance at 31 December 2015	**4 480 000**	-	-	**(2 616 764)**	**1 863 236**
Increase (decrease) of share capital	835 633	-	-	-	**835 633**
Income (loss) for the current period	-	-	-	289 060	**289 060**
Balance at 31 December 2016	**5 315 633**	-	-	**(2 327 704)**	**2 987 929**

Financial Statement is approved on April 12, 2017 by:

General Director -- *N. Gurbanov*

Head of Finance Department -- *M. Guruli*

The accompanying notes on pages 9 to 45 inclusive are an integral part of the present financial statements.

Explanatory notes for the Financial Statements of the year 2016

1. General Information

Standard Insurance Georgia JSC (hereinafter – the Company) registered on November 4, 2007 by the Old Tbilisi Region Tax Inspection. Company's legal address: commercial area #8, floor 2, entrance I, №32a, Al. Kazbegi Ave., Vake-Saburtalo, Tbilisi, Georgia. Identification # 204540274. The Company is not VAT payer, it is registered for taxation in the Old Tbilisi Tax Inspection.

On December 02, 2016, Standard Insurance Georgia JSC Shareholders equity increased by GEL 835 633 and by the end of the reporting period, the share capital amounted to GEL 5 315 633 On December 23, 2016, JSC Standard Insurance Baku, Azerbaijan, alienated 100% of shares to MERCURY EUROPE HOLDINGS. As of December 31, 2016 the Company's founder was MERCURY EUROPE HOLDINGS (RN B 165504, 11 Emily Reiter ave. L-2420, Luxemburg), which owned 100% of the Company's share.

The Company possesses two types of insurance licenses issued by the State Insurance Supervisory Service of Georgia – for life and non-life products.

The Company's head office is located in Tbilisi. The Company also has two service centers in Batumi and Poti.

The main activity of the Company is all the types of insurance activities.

2. Georgian business environment

The Company's operations are in Georgia, so the Company is exposed to economic factors and financial markets of Georgia. The legal, tax and regulatory frameworks continue development. There are questions subject to varying interpretations and frequent changes, which contributes to the challenges faced by the entities operating in Georgia.

3. Basis of preparation

These individual financialstatementsof JSC Standard Insurance Georgia for the year 2016, have been prepared in accordance with International Financial Reporting Standards (IFRS), asissued by the International Accounting Standards Board and approved in the European Union.

These Financial Statements have been prepared under continuity assumption and historical cost convention.

The Company is required to prepare financial statements in GEL, in accordance with International Financial Reporting Standards. Financial Statements of the Company are presented in figures rounded to 1 (one) GEL, as the majority of operations are performed in GEL. Operations in other currencies are regarded as operations in foreign currency. The Company presents its statement of financial position broadly in order of liquidity.

Preparation of the financial statements in accordance with IFRS requires from the Management to make assumptions, estimations and considerations that have impact on the use of accounting policies, as well as on the reported amounts of assets and liabilities, income and expenses, contingent assets and liabilities. The actual result may differ from the above estimations. Estimations and assumptions are continuously reviewed. Changes in estimations are made in the period when the estimations were reviewed and in the consequent periods.

4. Summary of Significant Accounting Policies

Accounting policies, according to which Financial Statements have been prepared are given below.

Investments in subsidiaries and related companies

Subsidiaries are the entities in which the Company has power to exercise control over their operations.

Related companies are the entities in which the Company has significant influence (but not control). Significant influence is considered when one company owns from 20% to 50% of voting rights in another company. Investments in the related companies are carried as cost minus impaired loss.

As at December 31, 2016, JSC Standard Insurance Georgia had no subsidiaries or related companies.

Insurance Contracts

Insurance cotracts are defined as those containing significant insurance risk accepted by the Company from the other party, where the Company undertakes to reimburse the Insured or other Beneficiary in case of some umpredictable adverse event ("Insurance Event") that has negative impact on the Insured or any other Beneficiary.

Contracts of financial guarantees are classified as insurance contracts.

Recognition and measurement of the contracts

Premiums

Gross Premium Written includes premiums written during the year, despite whetehr they fully or partially correspond to the last accounting period. Premiums are expressed including commissions to intermediaries. Earned part of the premium is recognized as income. Premium is earned daily, from the moment of policy inception, during the insurance period. Reinsurance premium is recognized as expense, also on the daily basis. A part of reinsurance premium not recognized as expense, is recognized as advances.

Policy Cancellation

Policy is cancelled in case of evidence that the Policyholder has no wish or ability to continue paying the insurance premium provided by the Policy. Thus cancellation mainly does not affect the Policies providing for payment of premium in installments during the policy period.

Unearned Premium Reserve

Unearned Premium Reserve includes the part of the Gross Premium Written, which is expected to be earned during the subsequent years. It is estimated daily per each insurance contract.

Insurance Claims Provision

Net Claims Incurred include all claims paid during the accounting year, together with change in outstanding claims reserve. Provision for Outstanding claims includes ultimate cost of all claims reported but not settled, as well as all claims incurred but not reporetd by the reporting date, together with the claims hadling costs.

Outstanding Claims Provision is estimated based on individual claims reviews and calculation of the Incurred but Not Reported Claims Provision, with consideration to internal and external predictable events, such as changes in claims hadling costs, past experience and trends. The liability is not discounted by the time value of money. Recoveries from reinsurers and subrogation for the previous years are recognized in individual financial statements as an asset. Reinsurance and subrogation recoveries are derecognized in the same way as outstanding claims.

Adjustments to the previous years claims provisions are expressed in the financial statements for the priod when the adjustments were made. In case of substantial adjustments, the separate explanations are given. Methods and measurements are regularly updated.

Reinsurance

The Company cedes reinsurance risk in the normal course of business, in order to limit the amount of possible net loss by means of partial ceding of risk to reinsurers. The reinsurer's obligations does not relieve the Company from its direct obligations to the Policyholders.Reinsurer's share in premium and claims is shown in Profit or Loss and in Statement of Financial Position as gross amounts. Reinsurance Assets include reinsurance receivables of reinsured liabilities. Amounts receivable from reinsurers correspond to the outstanding claims provision and paid claims associated with reinsurance policies.

Reinsurance premium received is recognized similarly to the written premium, with consideration to the insurance products and lines of business.

Amounts recovered based on reinsurance contracts are reviewedat the day of establishing a Statement of Financial Position on Impairment. Such assets are considered impaired, if objective evidence exists that after initial recognition of incurred claim, the Company may not recover outstanding amounts and when the impact on the amounts that the Company will receive from reinsurers can be measured reliably. Only those contracts are considered reinsurance assets, which provide for risk cession. The contracts that do not provide for risk cession are recorded as financial instruments.

Deferred acquisition costs

The commission costs to insurance agents and brokers incurred during the financial period arising from the writing or renewing of insurance contracts aredeferred to the extent that these costs are recoverable out of future earned premiums. All other acquisition costs are recognised as anexpense when incurred. Subsequent to initial recognition, deferred acquisition costs for general insurance and health products are amortisedover the period in which the related revenues are earned.

Liability adequacy test

At each balance date liability adequacy test is performed in order to secure the adequacy of unearned premium less any deferred acquisition cost assets, per each line of business. The test is based on estimated cash flows and investment income directed to claims settlement and policy administration. In case of any deficiency, the corresponding deferred acquisition cost and intangible asset shall be impaired, and additional provision (unexpired risk provision) shall be established if needed. The difference is recognized in annual profit or loss.

Initial recognition of Financial Assets

Financial assets in the scope of IAS39 are classified as either financial assets at fair value through profitor loss, loans issued and receivables, held – to - maturity investments, or available – for - sale financial assets, as appropriate. The Company determines the classification of its financial assets upon initial recognition and may later reclassify them in cases given below.

Date of recognition

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

Loans issued and Receivables

Loans issued and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted inan active market. These instruments are not designed for urgent or short term resale and are not classified as trade securities or investment securities for sale. These assets 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 orimpaired, as well as through the amortization process.

Reclassification of Financial Assets

If non-derivative financial instruments classified as available-for-sale is not in the near future planned for sale, they can be reclassified at fair value with gains and losses being recognized, in the following cases:

• Financial Asset falling in the category of Loans and Receivables, may be reclassified as such, if the Company has a wish and ability to maintain such assets for a certain period until the maturity;
• In rare cases, other financial assets may be reclassified as abailable-for-sale or held-to-maturity.
Available-for-sale financial assets financial assets falling in the category of Loans and Receivables may be reclassified as such, if the Company has a wish and ability to maintain such assets for a certain period until the maturity;
- Financial Assets may be reclassifies at fair value on the day of reclassification, without changes in recognized profit or loss. Fair value on the date of reclassification is either a new value or amortized value.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired or whether there are objective signs of impairment. Financial asset or group of financial assets is deemed impaired, if there is a sound reason of impairment due to some event(s) that occurred after the initial recognition of the asset ("loss occurrence") and such event(s) had effect on estimated future cash flow of financial asset or group of financial assets that can be reliably measured.

Derecognition of financial assets and liabilities

Financial Assets

A financial asset (or, when applicable, a part of financial asset or a part of a group of similar financial assets) is derecognized when:

• the rights to receive cash flows from the assets have expired;

• the Company has transferred the rights to receive cash flows from the asset, or has retained these rights nut has assumed the obligation to pay the received cash flows in full without material delay to third parties; and

• the Company (a) has transferred all the risks and rewards of the asset; (b) neither transferred nor retained all the risks and reward of the asset, but has transferred the control of the asset.

Financial Liability

A financial liability is derecignized when it is covered, cancelled or expired.When one financial liability is replaced by another financial liability to the same creditor but on significantly changed conditions, or if the conditions of the current financial liability is significantly changed, such change or modification is recognized as cancellation of initial liability and recognition of a new liability through profit or loss.

Cash and cash equivalents

The Company cash flows are represented by sales of policies/contracts and purchase of reinsurance contracts, as operational cash flows, while the operations of the Company are related to insurance activities. Cash and cash equivalents for the Company is cash on current bank accounts, bank deposits and deposit certificates.

Paid advances

Advances paid to the suppliers of goods or services are initially recognized as paid amounts and then impaired if applicable. Advances are impaired when objective evidence exists that the Company will not fully receive the goods or services provided by the contract signed with the suppliers.

Advances paid for current assets or services, which are short-term operating expenses, are classified as current assets. All other advances, for example, advances paid for long-term assets, are classified as long-term and are included in the corresponding section of the Statement of Financial position.

Insurance and other current receivables

Insurance receivables are recognized based upon the insurance conracts/policies/reinsurance contracts and measured at contract amount (value). Book value of insurance receivables is impaired when the circumstances give evidence that the book value may not be recovered. Impairment is recognized through the statements of profit and loss and comprehensive income.

Reinsurance receivables include the amounts due from insurers and reinsurers within their accepted insurance liabilities. Reinsurance premiums are recognized in the same way as income from direct insurance operations. Amounts paid to reinsurers are recognized based on reinsurance contracts. Analysis of impairment is made for each reinsured asset, when the risk of impairment appears. Reinsurance receivables are impaired in case of evidence that the Company may not receive all the amounts due to it under the reinsurance contracts and this can be reliably measured.

Other receivables are comprised from all the other non insurance receivables, other than advance taxes and costs.

Impairment insurance and other receivables are included in the Statement of Profit and Loss.

Fixed Assets and Intangible Assets

Fixed assets and intangible assets are carried at their purchase (historical) valueб with accrued depreciation using the declining balance method, according to the duration of their useful life expectancy:

Motor transport – 5 years;
Computers and communication facilities – 4-5 years;
Furniture and other inventory – 10 years;
Intangible assets with indefinite useful life – 7 years;
Fixed assets start depreciation from the month they are put in operation or are ready to be put in operation.

Impairment of book value of fixed assets is possible when due to certain events or circumstances the book value may not be reinstated. Allowance is recognized through profit and loss and comprehensive income statement.

Any surplus in revaluation of the fixed assets is added to the revaluation reserve of fixed assets included in equity, unless this will cause the reversion in reduction of revaluation of those assets, which were previously recognized in profit-and-loss and comprehensive income statements. In such case the increase will be recognized in consolidated profit-and-loss and consolidated income statements. Any shortcoming in revaluation is recognized in consolidated profit-and-loss and consolidated income statements, unless when such shortcoming, which directly annuls the surplus of the same asset, is annulled by the surplus in the revaluation reserve of the fixed assets.

Fixed assets revaluation reserve is recognized in retained eranings for the difference between the depreciation based on book value and depreciation based on initial value. At the same time,

accumulated depreciation at the date of revaluation is deducted from the total book value of the asset and the revaluated asset is newly recognized at its fair value. In case of sale, any revaluation reserve related to the sold asset shall be transferred to the retained earnings.
Repair and renovation costs are recorded as incurred and included in other operating expenses, if there is no ground for their capitalization.

Fixed assets are written off after their sale or when future financial rewards from sale or use are no more expected.Any loss or gain following their writing off (calculated as the difference between the net profit from sale and the book value of the asset) is recognized in profit and loss and comprehensive income statements for the period when the asset was written off.

Inventories

Inventories are carried at the lower of average cost of market. Cost of inventories is determined based on weighted average and includes the expenses related to the purchase and transportation of inventories. Cost of ready products and current production includes corresponding share of overheads based on ordinary output, but excluding loans.

Net sales value is the estimated sales price in the ordinary course of business, less estimated cost of completion and estiamted sales expenses.

Insurance Liabilities

General insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and theprovision for premium deficiency. General business contract liabilities are based on the estimated ultimate cost of all claimsincurred but not settled at the reporting date, whether reported or not, together with related claims handling costs.

The liability is calculated at the reporting date based onempirical data and current assumptions. The liability is not discounted for the time value of money. 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 aspremium income over the term of the contract in accordance with the pattern of insurance service provided under thecontract. At each reporting date the Company reviews its unexpired risk and based onliability adequacy test determines the excess of estimated claims and deferred acquisition costs over the unearned premium.

Current Liabilities

Current liabilities are liabilities acrrued to the goods/services rendered.

Taxation

Income tax expense includes current and deferred income tax expenses. A part of the income tax directly related to the equity is recognized in equity sections.

Current income tax is determined based on income and current tax rate.

Deferred tax is calculated in respect of temporary differences between the assets (liabilities) according to International Financial Reporting Standards and assets (liabilities) according to the Tax Code, using the liability method.

Deferred taxes in accordance with International Accounting Standard (IAS) #12.47, are calculated at current tax rates or tax rates that are expected to apply to the period when the Company becomes liable to realize (settle) the deferred asset. Apart of that, in case of any reward from the tax liabilities of the Company that can be deferred to the future period, this reward (deferred asset) will also participate in calculation of the deferred tax. Deferred tax is not determined only in case when the reward from such tax cannot be used.
In 2016 income tax rate in Georgia was 15%.

Income recognition

Income is recognized in the statement of profit and loss and comprehensive income, id the total financial income during the period originates in theregular course of business, is realibly measurable and contributes to the equity without additional investments from the owners.

Recognition of insurance income

Insurance contracts/policies are defined as contracts/policies involving significant insurance risk from the moment of contract/policy inception. Insurance risk is dependent on on the probability of the insured event and the severity of its result. Agter the contract is recognized as insurance contract, it will be regarded as such througout its whole effective period (unless calcelled/terminated), even i case the insurance risk gets significantly reduced.

The Company earns income through sales of different types insurance contracts/policies.The income of the Company received from insurance contracts/policies is recognized as earned income on a pro-rata basis over the period of the related insurance contract/policy or bank guarantee coverage. Premiums written are recognized as revenue in full upon policy or bank guarantee inception, and then distributes this revenue equally for the corresponding period (number of days).

Other income

Other income of the Company is interest accrued to the deposits placed Georgian commercial banks, issued loans, securities and promissory notes. The interest income is recognized for the period when the income was received, through profit and loss statement.

Deferred income

The Company deferrs income for the future period and recognizes it in the balance sheet (statement of financial position). A part of insurance premium attributable to the future period is deferred as unearned premium. Changes in the unearned premium provision is recognized in profit and loss and comprehensive income statements in such a way that the revenue is recognized for the risk period or pro-rate to the estimated future income.

Recognition of expenses

The Company bears expenses in the course of business, and also other expenses not related to the core business. Expenses are recognized in profit and loss statement, if the future financial gain is reduced due to the decrease of assets or increase of liabilities, which can be reliably measured.Expenses are recognized in profit and loss statement, based on direct comparison of income and expenses, according to the given revenue items. If financial reward is expected within several reporting periods and the relation to the income can be fully or partially revealed, then the expense shall be recognized in the statements of profit and loss and comprehensive income, using the method of efficient allocation. Expenses are immediately recognized in profit and loss and comprehensive income statements if such expenses do not generate future economic gain or if the future financial gain does not correspond or has stopped corresponding the criteria of being recognized as an asset in the balance sheet.

Other non insurance expenses

The Company recognizes other non insurance expenses immediately upon incurring and allocates them to the corresponding period.

Insurance provisions

Establishing of insurance provisions is regulated by the Insurance Supervising Service. At December 31. 2016 the Company had established all the three reserves provided by the Georgian Law: unearned premium provision, reported but not settled claims provision and incurred but not reported claims provision.

Reported but not settled claims provision comprises of two parts: claims reported through documents (invoices), and claims the amount of which is not documentally confirmed but can be otherwise realiably assessed.

Assumptions used in assessment of insurance assets and liabilities are aimed to secure sufficient amounts of provisions to cover liabilities arisen under insurance contracts within their reasonable interpretation. However, the result may be different from the insurance provision, while it is impossible to establish ultimate provisions with adequate accuracy. Provisions are established for the reporting date in the amount of incurred claims (whether reported or not), including claims settlement expenses and less the amount of claims paid. Claims reserves are not discounted.

New standards issued and not yet adopted

The standards and interpretations that are issued, but not yet effective by the date of issuance of the Company's financial statements which may have impact on the Company's financial statements are disclosed below. The Company plans to adopt those standards as soon as they become effective.

There is a number of standards, interpretations and amendments issued by IAS, which will enter in force after this reporting period.The most important of these are:

New accounting standards and amendments, issued but not yet adopted:

AASB 2016-1 recognistion of the deferred tax assets for the loss not realized, January 1, 2017.
AASB 2016-2 disclosure initiative: AASB 107 amendments January 1, 2017.
AASB 9 financial instruments January 1, 2018.
AASB 15 income from contracts with clients, January 1, 2018.

AASB 2014-10 sales or contribution of assets between an investor and its associates or joint ventures, January 1, 2018.

AASB 2016-5 classification and measurement of share-based payment transcation, Jabuary 1, 2018.
AASB 2016-6 AASB 9 financial instruments and AASB 4 insurance contracts, January 1, 2018.
AASB 16 leasesJanuary 1, 2019.

– IFRS 9: „financial instruments“; is effective for the periods starting on or after January 1, 2018. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and brings together classification, measurement and recognition of financial assets and liabilities, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9, however such significant impact is not anticipated.

– IFRS 15: „Revenue from Contracts with Customers" is effective for the periods starting on or after January 1, 2018.It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes, and establishes a comprehensive framework as to how, in what amount and when the income is to recognized, by means of introducing a five-stage model. Based on initial estimations, the adoption of these amendments and interpretations will not have significant impact on the operating results, financial position or disclosed information of the Company.

– IFRS 16: „Leases“; is effective for the periods starting on or after January 1, 2019. The new standard replaces IFRS 17 "Leases" and introduces significant changes in a way in which the lessees account for lease, which requires to recognize a "right to use" asset and corresponding financial liability on the balance sheet in the amount of current values of the of the initially assessed lease payments. The new guidance also expands the qualitative and quantitative disclosures of the lease. This will cause recognition of the majority of leases in the balance sheet, which recognizes a new category of "right to use" assets and liabilities based on discounting of future lease payments.

Leases („ASU 2016-02“). According to the changes, the lessee must recognize a "right to use" asset and lease liability in the balance sheet, in case of leases with the period of 12 months or longer. The leases shall be classified according to financial or operating classification that will have effect on recognition of expense in the profit and loss statement. ASU 2016-02 is effective for public business entities for the fiscal years starting from December 15, 2018, including interim periods within those fiscal years. The Company is currently assessing the potential impact on its financial statements resulting from the application of ASU 2016-02.

In August 2016 FASB issued ASU 2016-14, a presentation of financial statements for not-for-profit legal entities, introducing target changes in non-commercial financial statements model. The new ASU indicates the completion of the first stage of a large project, with the purpose to improve non-commercial financial statements. According to the new ASU, accounting of net assets will be improved and simplified.

In March 2016 FASB issued ASU 2016-09, „Stock Compensation (Topic 718): improvements to employee share-based payment". The standard introduces several aspects of accounting for operations of employee share-based payments, including accounting for income tax, confiscated and normative tax receivables, as well as classification in the cash flows statement.

ASU 2016-13, financial instruments–credit losses (Topicঁ 326): measurement of credit losses for financial instruments („ASU 2016-13"). ASU 2016-13 replaces the current model of incurred losses with the model of estimated credit losses, which measures credit losses for financial instruments at amortized value, and requires the companies to recognize provision for the expected credit losses. Apart of that, ASU 2016-13changes the guidance of measurement of credit lossesfor available-for-sale debt securities and beneficiary interest in secured assets. These changes clarify some factors to be considered in determining whether credit losses have to be recognized requires the companies to recognize the expected credit losses through corresponding provisions. ASU 2016-13 is effective for public business entities for fiscal years starting from December 15, 2019, including interim periods within those fiscal years. The Company is currently assessing the potential impact on its financial statements resulting from the application ofASU 2016-13.

5. Net insurance premium

During 2016 the Company received income from the following types of insurance contracts/policies:

	2016 (GEL) Motor insurance	2016 (GEL) Property insurance	2016 (GEL) Health insurance	2016 (GEL) Aviation insurance	2016 (GEL) Performance bond	2016 (GEL) Cargo insurance	2016 (GEL) Travel insurance	2016 (GEL) Containers insurance	2016 (GEL) Floating vehicles insurance	2016 (GEL) Liability insurance	2016 (GEL) Total
Earned premium	1 682 614	407 528	2 432 376	89 847	92 691	87 581	31 878	298 855	78 767	349 455	**5 551 594**
Reinsurance expense	(223 771)	(275 090)	(43 787)	(89 847)	-	(39 737)	-	-	(51 996)	(223 503)	**(947 731)**
	1 458 843	**132 438**	**2 388 589**	**-**	**92 691**	**47 844**	**31 878**	**298 855**	**26 771**	**125 952**	**4 603 863**

	2015 (GEL) Motor insurance	2015 (GEL) Property insurance	2015 (GEL) Health insurance	2015 (GEL) Aviation insurance	2015 (GEL) Performance bond	2015 (GEL) Cargo insurance	2015 (GEL) Travel insurance	2015 (GEL) Containers insurance	2015 (GEL) Floating vehicles insurance	2015 (GEL) Liability insurance	2015 (GEL) Total
Earned premium	1 274 748	381 425	1 769 465	76 707	103 043	63 526	26 125	239 136	76 402	241 234	**4 251 811**
Reinsurance expense	(233 932)	(321 995)	(45 717)	(75 714)	-	(42 459)	-	-	(56 401)	(168 782)	**(945 001)**
	1 040 815	**59 429**	**1 723 748**	**993**	**103 043**	**21 067**	**26 125**	**239 136**	**20 001**	**72 452**	**3 306 810**

6. Insurance claims

	2016 (GEL) Motor insurance	2016 (GEL) Property insurance	2016 (GEL) Health insurance	2016 (GEL) Performance bond	2016 (GEL) Cargo insurance	2016 (GEL) Travel insurance	2016 (GEL) Containers insurance	2016 (GEL) Bank Guarantee Insurance	2016 (GEL) Liability insurance	2016 (GEL) Total
Insurance claims	1 123 006	10 501	1 757 340	10 474	51 470	630	36 518	-	14 602	3 004 542
	1 123 006	**10 501**	**1 757 340**	**10 474**	**51 470**	**630**	**36 518**	**-**	**14 602**	**3 004 542**

	2015 (GEL) Motor insurance	2015 (GEL) Property insurance	2015 (GEL) Health insurance	2015 (GEL) Performance bond	2015 (GEL) Cargo insurance	2015 (GEL) Travel insurance	2015 (GEL) Containers insurance	2015 (GEL) Bank Guarantee Insurance	2015 (GEL) Liability insurance	2015 (GEL) Total
Insurance claims	1 027 193	56 968	1 323 814	-	-	-	103 005	33 445	31 105	2 575 529
	1 027 193	**56 968**	**1 323 814**	**-**	**-**	**-**	**103 005**	**33 445**	**31 105**	**2 575 529**

7. Part of reinsurer in Insurance claims

	2016 (GEL) Motor insurance	2016 (GEL) Property insurance	2016 (GEL) Cargo insurance	2016 (GEL) Liability insurance	2016 (GEL) Total
Part of reinsurer in Insurance claims	77 362	9 925	12 900	4 081	104 268
	77 362	9 925	12 900	4 081	104 268

	2015 (GEL) Motor insurance	2015 (GEL) Property insurance	2015 (GEL) Cargo insurance	2015 (GEL) Liability insurance	2015 (GEL) Total
Part of reinsurer in Insurance claims	96 557	-	-	-	96 557
	96 557	-	-	-	96 557

8. Other income from insurance operations

As at 2016 Company's other income from the insurance activities amounted to GEL 344 821. Other income from insurance activities during the reporting period was the income received from subrogation - GEL 178 000, income received from deductible - 82 349 GEL and income received from salvaged property - GEL 84 472.

9. Administrative costs

	2016 (GEL)	2015 (GEL)
Salaries	1 028 122	1 007 223
Rent Expenses	165 700	187 127
Ulities and Communication	38 634	39 926
Consulting and Audit Expenses	33 821	25 727
Depreciation and amortization	42 398	38 115
Taxes and Penalties	2 605	14 595
Bank charges	6 203	3 783
Representative Expenses	15 636	10 913
Expenses for fuel	22 748	32 065
Insurance	20 115	20 207
Other expenses	107 283	88 052
	1 483 266	1 467 734

	2015 (GEL) Motor insurance	2015 (GEL) Property insurance	2015 (GEL) Cargo insurance	2015 (GEL) Liability insurance	2015 (GEL) Total
Part of reinsurer in Insurance claims	96 557	-	-	-	96 557
	96 557	-	-	-	96 557

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Insurance	20 115	20 207
Other expenses	107 283	88 052
	1 483 266	1 467 734

10.Financial income

During the year of 2016 the Company had deposited its funds in different banks: Terra Bank JSC (the former KOR Standard Bank JSC), Halyk Bank JSC, Caucasus Development Bank JSC, Ish Bank JSC and the Bank of Georgia JSC. The Company's financial income in 2016 was income from bank deposits.

Since the Company is a licensed financial institution, the interest income received from other licensed financial institutions is taxable by income tax rate of 15% under the Tax Code of Georgia.

	2016 (GEL)	2015 (GEL)
JSC Bank Republic	-	8 522
JSC Tera Bank (former JSC Kor Standard Bank)	50 642	74 621
JSC Halyk Bank	21 364	23 882
JSC Caucasus Deelopment Bank	1 834	6 927
JSC Isbank Georgia	17 474	-
JSC Bank of Georgia	3 258	4 231
	94 571	**118 183**

11.Other nonoperating income / (loss)

	2016 (GEL)	2015 (GEL)
Profit/(loss) from foreign exchange	218 454	411 534
Bad Debts from insurance debtors	-	(12 699)
Other Incomes / (Expenditures)	(20 016)	36 270
	198 438	**435 105**

12.Income tax expense

Current tax rate is income tax - 15%.

	2016 (GEL)	2015 (GEL)
Profit before profit tax	334 237	86 065
Applicable tax rate	15%	15%
Financial income tax	50 135	12 910
Change caused by permanent (non deducted) differences	(4 958)	22 831
Income (expense) of income tax	**45 177**	**35 741**

13.Cash and cash equivalent

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Cash On Hand	7 930	6 944
Current Bank Accounts	660 140	649 650
Term Deposits	3 002 619	2 436 587
	3 670 690	3 093 181

Term deposits

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
JSC Tera Bank (former JSC Kor Standard Bank)	1 410 220	1 312 419
JSC Halyk Bank	529 360	478 980
JSC Caucasus Deelopment Bank	-	598 725
JSC Isbank Georgia	846 976	-
JSC Bank of Georgia	216 063	46 463
	3 002 619	**2 436 587**

14.Current insurance receivables

As at December 31, 2016, on the Company's account there were accounts receivable of GEL 1809674.

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Motor insurance	708 764	698 631
Property insurance	102 093	103 628
Health insurance	782 903	776 525
Aviation insurance	7 348	6 648
Performance bond	44 967	53 200
Cargo insurance	16 824	10 438
Travel insurance	7 438	106
Containers insurance	70 003	63 417
Liability insurance	159 638	133 803
	1 899 977	**1 846 398**

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Insurance receivables	1 899 977	1 846 398
Allowance for impairment	(90 304)	(78 645)
	1 809 674	1 767 753

The table below shows insurance receivables according to the overdue period:

	Gross 31.12.2016	Impairment 31.12.2016	Gross 31.12.2015	Impairment 31.12.2015
Not overdue	1 743 222	-	1 757 419	-
Overdue: 0-30 days	25 836	1 292	17 581	13 185
Overdue: 31-60 days	17 296	2 594	12 404	10 047
Overdue: 61-90 days	14 748	4 425	9 823	8 478
Overdue: 91-120 days	10 874	5 437	7 453	6 783
Overdue: 121-365 days	57 224	45 779	31 317	29 751
Overdue for more than one year	30 777	30 777	10 401	10 401
	1 899 977	90 304	1 846 398	78 645

15. Other receivables from reinsurance

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Demands of the reinsurer's indemnity	118 989	849 510
Demands to the reinsurers in the part of the loss provision	15 667	30 271
Receivables from the reinsurance commission	366 519	848 616
	501 175	1 728 397

Demands of the reinsurer's indemnity

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
JSC Insurance Company Allianz	2 947	-
Scor Perestrakhovaniye L.L.C.	116 042	22 841
Insurance Company Standard Insurance	-	826 669
	118 989	**849 510**

Demands to the reinsurers in the part of the loss provision

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Scor Perestrakhovaniye L.L.C.	15 433	2 301
Insurance Company Standard Insurance	234	27 970
	15 667	**30 271**

Receivables from the reinsurance commission

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Malakut Insurance Brokers	24 681	21 308
Scor Perestrakhovaniye L.L.C.	341 838	827 308
	366 519	**848 616**

16. Inventories

As at December 31, 2016, the Company's inventories made GEL 92 047. Out of this amount GEL 3 525 was the cost of plastic insurance cards and travel insurance policies, GEL 88 380 was the cost of motor vehicles, transferred to the Company a result of the occurrence (salvage), and GEL 142 for the fuel inventory remaining on the Company's balance at the end of the year.

17. Prepaid reinsurance expenses

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Motor insurance	34 217	161 584
Property insurance	71 850	159 735
Health insurance	5 045	3 915
Aviation insurance	69 018	35 734
Cargo insurance	1 591	9 298
Floating vehicles insurance	8 393	8 608
Liability insurance	114 494	172 994
	304 608	551 869

18. Interests, dividends and other receivables

As at 31 December 2016thereceivables from bank deposits resulted in GEL 21,482:

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
JSC Tera Bank (former JSC Kor Standard Bank)	1 075	2 176
JSC Halyk Bank	881	797
JSC Caucasus Deelopment Bank	-	2 099
JSC Isbank Georgia	19 526	-
	21 482	**5 073**

19. Other current Assets

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Advances	55 394	33 749
Due from employees	418	242
Prepaid property and other taxes	1 289	3 185
Prepaid expenses (Agents and Brokers)	168 733	144 707
Claims from regress	142 585	223 886
Salvage Property Requirements	444	-
Other current assets	45 295	29 303
	414 157	**435 072**

20. Fixed Assets and Intangible Assets

	Leasehold Improvements (GEL)	Vehicles (GEL)	Computer and Communication equipment (GEL)	Fixtures and fittings and Other Fixed assets (GEL)	Intangible Assets (GEL)	Total (GEL)
Cost						
At 1 January 2016	63 605	98 312	132 222	76 215	16 837	**387 190**
Additions	-	-	4 343	523	41 237	**46 103**
(Reductions)	-	-	-	-	-	-
At 31 December 2016	**63 605**	**98 312**	**136 565**	**76 738**	**58 074**	**433 293**
Depreciation and Impairment						
At January 2016	59 440	50 886	112 870	36 666	8 513	**268 375**
Depreciation Charge	1 140	19 662	5 648	7 615	8 333	**42 398**
Disposals	-	-	-	-	-	-
At 31 December 2016	**60 580**	**70 548**	**118 518**	**44 281**	**16 846**	**310 773**
Carrying value at 31 December 2016	**3 025**	**27 764**	**18 047**	**32 457**	**41 227**	**122 520**

	Leasehold Improvements (GEL)	Vehicles (GEL)	Computer and Communication equipment (GEL)	Fixtures and fittings and Other Fixed assets (GEL)	Intangible Assets (GEL)	Total (GEL)
Cost						
At 1 January 2016	62 351	86 412	118 200	58 483	13 837	**339 283**
Additions	1 254	11 900	14 022	17 732	3 000	**47 908**
(Reductions)	-	-	-	-	-	-
At 31 December 2016	**63 605**	**98 312**	**132 222**	**76 215**	**16 837**	**387 190**
Depreciation and Impairment						
At January 2016	58 362	32 612	103 306	29 680	6 300	**230 260**
Depreciation Charge	1 078	18 274	9 564	6 986	2 213	**38 115**
Disposals	-	-	-	-	-	-
At 31 December 2016	**59 440**	**50 886**	**112 870**	**36 666**	**8 513**	**268 375**
Carrying value at 31 December 2015	**4 165**	**47 427**	**19 352**	**39 549**	**8 324**	**118 816**

21.Deferred tax assets

Deferred tax assets and liabilities are calculated in respect of temporary differences between the book value of assets and liabilities for financial statements and the same value for tax purposes.

According to the change in the Georgian Tax Code, the companies have to change the method of calculating income tax from January 1, 2019. From January 1 2019 income tax shall be paid only from equity profit (dividends). If the Company does not distribute profit, it will not be subject to income tax payment.

The above changed caused that the companies will not have temporary differences between tax and financial assets/liabilities. Consequently, from January 1 2019, there will be no obligation to accrue a deferred tax asset and/or deferred income tax. At the same time, the companies will not be able to use accumulated tax liabilities to reduce tax income for the future periods.

When calculation of deferred tax assets as at December 31, 2016 the Company uses the tax losses only to the part, which is suggested to be used during the two current years.

	Residual value (financial)	Residual value (tax)	Temporary differences	Income tax rate	Income tax asset (liability)
2016					
Incurred losses	81 294	71 437	(9 857)	15%	(1 479)
Intangible assets	41 227	6 210	(35 017)	15%	(5 253)
Tax loss carry-forwards	-	935 797	935 797	15%	140 370
Tatal	**122 522**	**1 013 444**	**890 923**		**133 638**

	Residual value (financial)	Residual value (tax)	Temporary differences	Income tax rate	Income tax asset (liability)
2015					
Incurred losses	110 494	85 068	(25 426)	15%	(3 814)
Intangible assets	8 324	7 306	(1 018)	15%	(153)
Allowance for doubtful debts	(303 738)	-	303 738	15%	45 561
Tax loss carry-forwards	-	914 809	914 809	15%	137 221
Tatal	**(184 920)**	**1 007 182**	**1 192 103**		**178 815**

22.Insurance claims provisions

Provisions are established for reporting dates and are defined as the amount of claims incurred by the reporting date (whether reported or not), including claims settlement expenses and less claims paid. Claims provisions are not discounted.

Reported but not settled claims provision (RBNS) is established for the reported claims, including claims settlement and amangement expenses. The amount is defined based on individual assessment of claims by the experts and Claims Department of the Company.

Incurred but not reported claims (IBNR) reserves are calculated by insurance statisticians. The Company uses the actuarial method of calculating the IBNR reserve, such as the Chain Ladder. This method is based on the claims history (frequency of compensations and/or frequency of claims, amount of claims, etc.) to assess the current and future alleged claims. Use of this method provides for creation of the corresponding reserve for claims, which will be revealed after considerable time after occurrence of damage or issuance of policy and when enough information from the existing claims is accumulated, in order to assess the total expected damage.

Reserve for incurred but not reported claims (IBNR) for those types of insurance for which there are no sufficient data, is calculated under the order established by the Supervision Service.

Reserve on claims reported but not settled by products:

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Motor insurance	189 465	158 925
Property insurance	-	31 542
Health insurance	280 822	276 829
Performance bond	10 474	-
Cargo insurance	15 000	-
Containers insurance	3 483	1 580
Liability insurance	15 086	3 586
	514 330	**472 462**

23. Liabilities to the reinsurer and broker

As at December 31, 2016 the Company's liability to reinsurers and brokers amounted to GEL 1084161.

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Azre Reinsurance OJSC	144 414	-
Polish Reinsurance Company	3 592	-
Insurance Company Standard Insurance	3 383	2 190 125
Scor Perestrakhovaniye L.L.C.	881 120	727 238
MAI Gergia	21 968	20 955
ZamanBroker insurance&reinsurance	569	13 086
Ingostrakh insurance company	29 115	28 739
	1 084 161	**2 980 143**

24.Deferred income (UPR reserve)

The structure of the deferred income of the Company for the years 2015 and 2016 was as follows:

	Defrred income *31 Deember 2015*	Written premium *2016*	Earned premium *2016*	Deferred income *31 Deember 2016*
Motor insurance	895 560	1 526 968	1 682 614	739 914
Property insurance	179 155	424 919	407 528	196 546
Health insurance	752 844	2 427 803	2 432 376	748 271
Aviation insurance	35 733	123 133	89 847	69 018
Performance bond	66 115	86 346	92 691	59 770
Cargo insurance	12 612	81 757	87 581	6 788
Travel insurance	6 845	30 342	31 878	5 309
Containers insurance	14 136	299 161	298 855	14 442
Floating vehicles insurance	11 669	80 078	78 767	12 980
Liability insurance	232 937	325 862	349 455	209 344
	2 207 607	**5 406 368**	**5 551 594**	**2 062 381**

	Defrred income *31 December 2014*	Written premium *2015*	Earned premium *2015*	Deferred income *31 Deember 2015*
Motor insurance	845 102	1 325 206	1 274 748	895 560
Property insurance	160 915	399 665	381 425	179 155
Health insurance	584 119	1 938 190	1 769 465	752 844
Aviation insurance	117 893	(5 453)	76 707	35 733
Performance bond	34 689	134 470	103 043	66 115
Cargo insurance	3 086	73 052	63 526	12 612
Travel insurance	4 381	28 589	26 125	6 845
Containers insurance	8 545	244 727	239 136	14 136
Floating vehicles insurance	9 415	78 656	76 402	11 669
Liability insurance	174 621	299 550	241 234	232 937
	1 942 765	**4 516 652**	**4 251 811**	**2 207 607**

25. Future income from the reinsurance commission

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Motor insurance	1 396	44 388
Property insurance	1 350	49 225
Aviation insurance	1 836	894
Cargo insurance	-	2 557
Liability insurance	4 613	18 601
	9 195	**115 665**

26. Other current liabilities

AS at 31 December 2016 the Company had the following structure of taxes and other payables:

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Creditors	21 792	15 042
Reverse Charge VAT	-	673
Other taxes and Penalties	-	1 151
Payables to brockers and agents	204 707	176 975
Other current liabilities	6 836	879
	233 335	194 719

27.Share capital

On December 31, 2016 the Company's share capital amounted to GEL 5 315 633, which was completely filled in the form of cash.

The local insurance regulator establishes the order for determining of the minimum capital for insurance companies.

As requested by the State Insurance Supervision Service of Georgia, insurance company shall, no later than December 31, 2016, meet the minimum amount of equity capital in the following amount: life insurance GEL 1 500 000 and insurance (non-life) - GEL 1 000 000. Companies shall have funds in the accounts in banking institution licensed in Georgia in amount of 80% of the minimum capital.

While the Company shall, no later than December 31, 2016, meet the minimum capital by the following quantities: life insurance GEL 2 200 000 and insurance (non-life) - GEL 2 000 000. Companies shall have funds in the accounts in banking institutions licensed in Georgia in amount of 100% of the minimum capital.

These requirements are designed to ensure sufficient solvency. The Company aims to fulfill these requirements. Failure to fulfill these requirements may lead to negative consequences, including imposition of penalties by the State Insurance Supervision Service of Georgia.

JSC Standard Insurance Georgia regularly meets the minimum capital requirement of the State Insurance Supervision Service.

Apart of that, according to the Clause 1 of the Decree #16 of the Head of State Insurance Supervising Service of Georgia:

Regulatory capital must exceed 50% of the solvency margin from 1 January 2017 to 1 July 2017.
Regulatory capital must exceed 75% of the solvency margin from 1 July 2017 to 1 January 2018.

As at 31 December 2016 the regularory capital of the Company was GEL 2 272 418.

28. Risk Management

Governance framework

The primary objective of the Company's risk and financial management frame work 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. Policies are implemented defining the risk appetite, risk management, control and business standards.

Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables.

Market risk can emerge in the result of possessing of interest, trade financial instruments or financial instruments in foreig currency. A risk exists that fair value of financial instruments or future cash flows will change from market interest rates (interest rate risk) or fluctuation in foreign exchange rates (currency risk).

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 toincur a financial loss.The Company manages the level of credit risk it accepts through a comprehensive group credit risk policy setting out theassessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty, geographical and industry segments; right of offset where counterparties are both debtors and creditors.

Currency risk

Currency risk emerges in case of change in price of one currency to another. 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 thus foreign currency fluctuations do not have big effect on the Company.

	GEL	EURO	USD	სულ
Cash and cash equivalents	616 591	1 176 772	1 877 327	3 670 690
Current insurance receivables	869 054	3 685	936 935	1 809 674
Other receivables from reinsurance	-	-	501 175	501 175
Inventory	92 047	-	-	92 047
Prepaid reinsurance expenses	45 230	-	259 378	304 608
Interest, dividends, etc.	-	745	20 737	21 482
Other current Assets	414 157	-	-	414 157
Fixed assets	81 294	-	-	81 294
Intangible assets	41 227	-	-	41 227
Deferred tax asset	133 638	-	-	133 638
Total assets:	**2 293 240**	**1 181 202**	**3 595 551**	**7 069 993**
Reported but not settled claims provision	514 330	-	-	514 330
Incurred but not reported claims provision	178 661	-	-	178 661
Liabilities to the reinsurer and broker	5 812	-	1 078 350	1 084 161
Deferred income	2 062 381	-	-	2 062 381
Future income from the reinsurance commission	9 195	-	-	9 195
Other current liabilities	233 335	-	-	233 335
Total liabilities:	**3 003 714**	-	**1 078 350**	**4 082 063**
Net balance positions at 31.12.2016	**(710 474)**	**1 181 202**	**2 517 201**	**2 987 930**

	GEL	EURO	USD	სულ
Cash and cash equivalents	504 904	1 190 520	1 397 757	3 093 181
Current insurance receivables	855 234	10 542	901 976	1 767 753
Other receivables from reinsurance	-	-	1 728 397	1 728 397
Inventory	72 624	-	-	72 624
Prepaid reinsurance expenses	59 804	-	492 065	551 869
Interest, dividends, etc.	-	1 694	3 379	5 073
Other current Assets	435 072	-	-	435 072
Fixed assets	110 494	-	-	110 494
Intangible assets	8 324	-	-	8 324
Deferred tax asset	178 815	-	-	178 815
Total assets:	**2 225 271**	**1 202 756**	**4 523 574**	**7 951 601**
Reported but not settled claims provision	472 462	-	-	472 462
Incurred but not reported claims provision	117 769	-	-	117 769
Liabilities to the reinsurer and broker	-	-	2 980 143	2 980 143
Deferred income	2 207 607	-	-	2 207 607
Future income from the reinsurance commission	115 665	-	-	115 665
Other current liabilities	194 719	-	-	194 719
Total liabilities:	**3 108 222**	**-**	**2 980 143**	**6 088 365**
Net balance positions at 31.12.2015	**(882 951)**	**1 202 756**	**1 543 431**	**1 863 236**

Interest rate risk

Interest rate risk is the risk (with fluctuating value) borne by interest asset, like loans with floating interest rates. Interest rate risk appears when actual or expected assets with given term exceed or are lower than the actual or expected liabilities with given term.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, which may have significant impact on its operations. A reasonable liquidity management means having sufficient funds and credit resources to meet the market requirements.

Insurance risks management

The primary insurance activity carried out by the Company assumes the risk of loss from individuals or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, health, cargo or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Company also has exposure to market risk through its insurance activities. The Company manages its insurance risk through the use of established statistical techniques, reinsurance of risk concentrations, underwriting limits, approval procedures for transactions, pricing guidelines and monitoring of emerging issues.

Insurance contracts and types of risks

Conditions of insurance contracts having material effect on future cash flows, timing and incertainty, are given below. At the same time, this gives us possibility to assess the main products of the Company and the related risk management facilities.

Medical insurance

Medical insurance covers basic needs for medical intervention. The Company manages risks mostly by writing of corporate policies and by medical examinations so that the price determination envisages current health conditions. In addition, the Company uses clinics' and pharmacies' services, based on pre-agreed prices.

Property insurance

The Company writes property insurance. This includes both private property insurance and industrial property insurance. Property insurance indemnifies the policyholder, subject to any limits or excesses, against the loss or damage to their own tangible property.The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay.

Motor insurance

Motor insurance includes both fully comprehensive insurance ("Casco") and motor third party liability insurance ("MTPL"). Under Casco contracts, corporate entities and individuals are reimbursed for any loss of, or full or partial damage caused to their vehicles. MTPL contracts provide indemnity cover to the owner of the motor vehicle against compensation payable to third parties for property damage, death or personal injury. Motor insurance therefore includes both short and longer tail coverage. Claims that are typically settled quickly are those that indemnify the policyholder against motor total or partial physical damage or loss. Claims that take longer to finalise, and are more difficult to estimate, relate to bodily injury claims.

In general, motor claims reporting lags are minor, and claim complexity is relatively low. Overall the claims liabilities for this line of business create a moderate estimation risk. The Company monitors and reacts to trends in repair costs, injury awards and the frequency of theft and accident claims.

Risk of reinsurance

The Company performs reinsurance for limiting of the insurance loss during normal business operation. However, the liability of reinsurance to the Company does not relieve the Company from the obligation to the insured.

In order to minimize insurance risks the Company uses various reinsurance programs that cover individual and portfolio risks. These reinsurance programs provide risks distribution and reduce the effect of loss. According to the reinsurance contract, reinsurer gives consent to reimburse loss in case of claim reimbursement. At the same time, the Company remains liable to its policyholders in relation with the mentioned insurance, if any reinsurer fails to fulfill its obligations. When selecting a reinsurer the Company reviews its solvency, which is determined based on the reinsurer's rating and results of the survey carried out by the Company. At the end of each year, the management evaluates the reinsurer's solvency for renewal of the strategy of procurement of reinsurance and determining the appropriate limit of impairment for reinsurance assets.

29.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.

30.Salaries of main administrative staff

Number of senior management employees in 2016 was 3, with a salary in amount of GEL 299 544.

31. Litigations

As at December 31, 2016, Standard Insurance JSC had 3 litigations in common courts, in which it participated as a defendant:

- Plaintiff – Mikheil Zurashvili;
- Plaintiff – Besik Chubinidze;
- Plaintiff – Alik Topchiev.

The Company also has a large number of litigations where the plaintiff is the Company itself. The litigations are related to demands of insurance receivables and demand of subrogation.

32. Tax regulations

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 challengedby the relevant regional and federal authorities. Recent events within the Georgia suggest that the tax authorities are taking amore 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 andinterest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the like lihood of any unfavourable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for threecalendar 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.

33. Continuity assumption

The enclosed financial statements prepared in accordance with International Financing Reporting Standards, is based on continuity assumption, which contemplatesrealization of assets and settlement of liabilities in the normal course of business.

34. Going concern considerations

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, which are sometimes unclear, contradictory and subject to varying interpretation. Tax inspections may be carried out by different authorities, which exposes the Company to different fines or penalties.

These circumstances create tax risk, which is much higher in Georgia than in the other countries. The Management believes that their approach to tax questions is adequate to the current interpretations of the law. However, it cannot be excluded that these interpretations will change and the tax authorities will have different position on similar matters.