TSODNISA

AUDIT CONCERN

JS „Insurance Company Prime“

Financial Statements

With Independent Audit Opinion on the accounting period ending on December 31, 2017

CONTENT

Management's responsibility

The Management of JS "Insurance Company Prime" (Identification Code 204540274) is responsible for preparation of financial statements, which must fairly represent the financial position of the Company as of 31 December 2017, operating results, cash flows and changes in equity for the year ending on December 31, 2017, as well as significant accounting policies and explanatory notes, in accordance with International 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, 2017, are approved by the Management and signed on their behalf on April 16, 2018:

Director---*Nijat Husseinov*

Chief Accountant---*Marekhi Guruli*

Independent Auditor's Opinion

To the Management of JS "Insurance Company Prime"

Opinion

Independent Auditor – Audit Concern "Tsodnisa" LTD has audited the accompanying financial statements of the **JS "Insurance Company Prime"** (hereinafter – Company). Financial Statements included the statements of financial position as of December 31, 2017, statements of profit and loss and other comprehensive income, statements of changes in equity and cash flow statements for the year ending on December 31, 2017, as well as explanatory notes, including the brief review of important accounting policies.

In our opinion, the accompanying financial statements in every main aspect give a true and fair view of the financial position of the Company, financial result, and cash flows as of December 31, 2017, in accordance with International Financial Reporting Standards (IFRS).

Other important questions

We would like to emphasize Note #5 of Financial Statements, describing the changes caused by reclassification of cash and cash equivalents item, and the impact of those changes on corresponding item of Financial Statements. Our opinion is not modified in relation to this question.

Basis for Opinion

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

Main issues of audit

We have established that there is no issue of audit to be stated in our report.

Other informations
The Management is responsible for the other information. The other information includes the information stated in the Management Report, however it does not include Financial Statements and our audit opinion on it. Management Report is expected to become available to us after the date of this audit conclusion.

Our opinion of Financial Statements does not cover the other information and we do not express in any form our confidence in it.

In respect to our audit, our responsibility is to read the above other information when it vecomes available for us, and assess while reading, whether such other information is significantly inconsistent with the Financial Statements or our knowledge obtained in the course of audit, or otherwise incorrect.

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

In preparing the consolidated Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so. Supervosory Board is responsible for overseeing the Company's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional ommissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Financial Statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as agoing concern.

- Evaluate the overall presentation, structure and content of the consolidated Financial Statements, including the diclosures, and whether the consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Audit Concern "Tsodnisa" LTD

Giorgi Tsertsvadze

Transaction partner

Tbilisi, Georgia
16 April 2018

Statement of Financial Position
as of December 31, 2017
(1 GEL)

	NOTE	31-Dec-17	31-Dec-16
Assets			
Cash and cash equivalents	6	279,351	668,071
Amounts on term bank deposits	7	3,477,185	3,002,619
Current insurance receivables	8	2,184,219	1,809,674
Reinsurance receivables	9	122,291	501,175
Stock		40,524	92,047
Reinsurance advances	10	304,945	304,608
Interest accrued on deposits	11	33,819	21,482
Other current assets	12	480,947	414,157
Fixed assets	13	179,507	81,294
Intangible assets		98,177	41,227
Other investments		24,035	-
Deferred tax asset	14	51,431	133,638
Total Assets:		**7,276,432**	**7,069,993**
Liabilities			
Reported but not settled claims provision	15	512,050	514,330
Incurred but not reposrted claims provision		174,780	178,661
Reinsurance payables	16	253,627	1,084,161
Unearned premium reserve	17	2,505,895	2,062,381
Future income from reinsurance commission	18	2,508	9,195
Other current liabilities	19	238,014	233,335
Total liabilities:		**3,686,874**	**4,082,063**
Share capital	20	6,048,764	5,315,633
Retained earnings / (accumulated loss)		(2,459,207)	(2,327,704)
Total equity:		**3,589,558**	**2,987,929**
Total equity and liabilities:		**7,276,432**	**7,069,993**

Financial Statement is approved on April 16, 2018, by:

General Director -- *Nijat Husseinov*

Financial Director -- *Marekhi Guruli*

The accompanying notes on pages 11 to 50 inclusive are an integral part of the present financial statements.

Statements of Profit and Loss and other Comprehensive Income for the year ended on December 31, 2017

(1 GEL)

	NOTE	2017	2016
Gross premium written		5,122,337	5,406,368
Change in the unearned premium reserve		(443,514)	145,225
Reinsurance expense		(509,878)	(947,731)
Net earned insurance premium	21	**4,168,945**	**4,603,863**
Insurance claims	22	(2,513,505)	(3,004,542)
Agents and brokers commission		(334,457)	(425,600)
Reinsurers' share in claims	23	82,050	104,268
Reinsurance commission income		9,270	165,092
Other income from insurance operations	24	251,964	344,821
Impairment charge		(117,958)	(202,517)
Change in the incurred but not reported claims provision		3,881	(60,892)
Income/(loss) from insurance operations		**1,550,191**	**1,524,493**
Administrative costs	25	(1,861,568)	(1,483,266)
Total operational income:		**(311,377)**	**41,228**
Interest income	26	129,418	94,571
Foreign exchange translation income/(loss)		30,332	218,454
Other non-operational income/(loss)	27	102,331	(20,016)
Income before tax		**(49,296)**	**334,237**
Income tax expense	28	82,207	45,177
Income/(loss) for the period		**(131,503)**	**289,060**
Total comprehensive income/(loss) for the year		**(131,503)**	**289,060**

Financial Statement is approved on April 16, 2018, by:

General Director -- *Nijat Husseinov*

Financial Director -- *Marekhi Guruli*

The accompanying notes on pages 11 to 50 inclusive are an integral part of the present financial statements.

Statements of Cash flows
for the year ended on December 31, 2017
(1 GEL)

	2017	2016
Cash flows from operating activities		
Insurance premium received	4,622,724	5,286,713
Reinsurance premium paid	(732,358)	(393,432)
Claims paid	(2,423,536)	(2,835,331)
Reinsurance claims received	2,947	-
Reinsurance commission	2,153	2,021
Salvages and subrogation	137,581	124,523
Agents and brokers commission	(440,778)	(358,970)
Salaries paid	(965,825)	(804,602)
Taxes paid (other than income tax)	(307,377)	(321,291)
Penalties paid	(15,000)	-
Bank expenses	(12,115)	(6,202)
Rent paid	(145,325)	(127,265)
Audit and consulting	(93,475)	(39,440)
Communication costs and utilities	(28,222)	(20,764)
Stationery	(12,280)	(10,781)
Marketing expenses	(17,080)	-
Advances paid	(5,000)	(35,576)
Cash flows from other operational activities	(154,210)	(156,670)
Funds on term bank deposits	(465,390)	(427,119)
Net cash flows from operating activities:	**(1,052,565)**	**(124,188)**
Cash flows from investment activities		
Purchase of PPE	(138,592)	(4,866)
Inflow from sale of PPE	19,139	-
Purchase of intangible assets	(61,000)	(40,805)
Interest received from deposits	118,490	76,496
Other investments	(24,035)	-
Net cash flows from investment activities:	**(85,998)**	**30,826**
Cash flows from financial activities		
Increase of statutory capital	733,131	-
Net cash flows from financial activities:	**733,131**	-
Foreign exchange translation income/(loss)	16,713	104,838
Net increase in cash and cash equivalents:	**(388,719)**	**11,476**
Cash balance in the beginning of period:	**668,071**	**656,594**
Cash balance in the end of period:	**279,351**	**668,071**

Financial Statement is approved on April 16, 2018, by:

General Director -- *Nijat Husseinov*

Financial Director -- *Marekhi Guruli*

The accompanying notes on pages 11 to 57 inclusive are an integral part of the present financial statements.

Statement of Changes in Equity
for the year ended on December 31, 2017
(1GEL)

	Share capital	Reserves and financing	Accumulated income/(loss)	TOTAL
Share capital as at 01.01.2016	4,480,000	-	(2,616,764)	1,863,236
Capital stock issues	835,633	-	-	835,633
Income (loss) for the current period	-	-	289,060	289,060
Share capital as at 01.01.2017	5,315,633	-	(2,327,704)	2,987,929
Capital stock issues	733,131	-	-	733,131
Income (loss) for the current period	-	-	(131,503)	(131,503)
Share capital as at 01.01.2018	6,048,764	-	(2,459,207)	3,589,558

Financial Statement is approved on April 16, 2018, by:

General Director -- Nijat Husseinov

Financial Director -- Marekhi Guruli

The accompanying notes on pages 11 to 50 inclusive are an integral part of the present financial statements.

Explanatory notes for the Financial Statements of the year 2017

1. General Information

JS Insurance Company Prime, formerly JS Standard Insurance Georgia (hereinafter – Company) was registered on November 4, 2007, by the Tbilisi Old Tbilisi District Tax Inspection. Legal address of the Company: Commercial area #8, II floor, I entrance, 32a Al. Kazbegi ave., Vake-Saburtalo district, Tbilisi, Georgia. Identification Code 204540274.

As described in the Note #34, on February 23, 2018, the Company was rebranded. The legal name was changed to JS "Insurance Company Prime".

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

Main activities include all lines of insurance business.

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

As of December 31, 2017, the share capital of the Company was GEL 6,048,764. As of December 31, 2017, the founder of the Company was MERCURY EUROPE HOLDINGS (Code: B 165504, Address: 11 Emile Reuter ave., L-2420, Luxembourg) who owned 100% of Company shares.

As of December 31 of 2017 and 2016, ultimate beneficiary of the Company is Alia Babaeva (Azerbaijan) who is entitled to manage the Company's transactions at her discretion and for the purpose to receive benefit. She also has a number of business interests apart of the Company.

Related party transactions are stated in the explanatory note #32.

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. Legislative changes are quite frequent.

3. Basis of preparation

These individual financial statements of the Company for the year ending on December 31, 2017, have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

These Financial Statements have been prepared under historical cost convention.

National currency of Georgia is GEL, which is the operating currency of the Company and in which the financial statements are prepared. Financial Statements of the Company are presented in figures rounded to 1 (one) GEL.

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.

Management has not made any significant judgement except for the estimations in the course of adhering to the Company's accounting policies, which would have significant impact on the amounts approved in these financial statements.

Information about the uncertainties in assumptions and evaluations containing a significant risk of material changes during the following year, is described in the following notes:

1. Insurance claims provisions – Note #15
2. Risk management – Note #30

4. Summary of significant accounting policies

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

A) Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency of the Company at official exchange rates declared by the National Bank of Georgia ("NBG") on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Georgian Lari at official exchange rates effective as of the reporting date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Foreogn currency translation difference is recognized as profit or loss for the accounting period.

The following exchange rates fixed by the National Bank of Georgia are used for currency items:

As of December 31, 2016:
1 USD =2.6468 GEL;
1 EUR =2.7940 GEL.

As of December 31, 2017:
1 USD=2.5922 GEL;
1 EUR =3.1044 GEL.

B) 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

Insurance 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 reviewed at 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 are deferred to the extent that these costs are recoverable out of future earned premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs for general insurance and health products are amortised over 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.

Insurance payables and receivables

Insurance receivables from Insureds, payables and receivables with agents and reinsurers are financial instrument and are recognized in Insurance Payables and Receivables. The Company regularly reviews insurance receivables to evaluate the impairment.

C) Income recognition

Income is recognized in Profit and Loss and other Comprehensive Income Statements, if total financial income for the period originates from the Company's regular business, is realibly measurable and contributes to the equity without additional investments from the owners.

Insurance income recognition

Insurance contracts/policies are defined as those containing significant insurance risk at the inception of the contract/policy, or those where at the inception of the contract/policy there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

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).

Interest income and foreign exchange translation income/(loss)

Interest income of the Company is interest accrued to the deposits placed with Georgian commercial banks. The interest income is recognized for the period when the income was received, through profit and loss and other comprehensive income statements.

Foreign exchange translation income/(loss) includes income and expenses in financial assets and liabilities caused by changes in the foreign exchange rate. Foreign exchange translation income/(loss) is recognized at net value as profit or loss, depending on whether the foreign currency flow results in net income or net expense.

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.

D) 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.

E) Short-term remunerations of employees

Short-term remunerations of employees are recognized in expenses, according to the services provided, at non-discounted value. Remuneration amount is recognized as short-term liabilities, if the Company has legal or constructive liablility based on the received services and such liabilities are reliably measurable.

F) Cash and cash equivalents

Cash and cash equivalents for the Company is cash on hand and on current bank accounts.

G) Financial instruments

Initial recognition of Financial Assets

Financial assets in the scope of IAS39 "Financial Instruments: recognition and estimation" are classified as either financial assets at fair value through profit or loss, loans issued and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. 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 Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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 available-for-sale or held-to-maturity. Available-for-sale 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 but has assumed the obligation to pay the received cash flows in full without material delay to third parties; and

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

Financial liabilities

A financial liability is derecognized 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.

Impairment of 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.

H) 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.

I) Insurance and other current receivables

Insurance and reinsurance 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.

J) Fixed Assets and Intangible Assets

Fixed assets are carried at their purchase (historical) value with accrued depreciation and impairment (in case of such).

Intangible assets are carried at their purchase (historical) value with accrued depreciation and impairment (in case of such).

Depreciation of fixed and intabgible assets are carried out 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 limited useful life, however not strictly defined – 7 years.

Intangible assets with indefinite useful life are not depreciated.

Fixed assets start depreciation from the month they are put in operation or are ready to be put in operation for the purposes defined by the Management. 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.

K) Insurance Liabilities

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

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 as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date the Company reviews its unexpired risk and based on liability adequacy test determines the excess of estimated claims and deferred acquisition costs over the unearned premium.

L) Insurance provisions

Establishing of insurance provisions is regulated by the Insurance Supervising Service. At December 31, 2017 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 reliably 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.

M) Taxation

Income tax expense includes current and deferred income tax expenses. Income tax is recognized in profit or loss, except for the part of the income tax directly related to the equity or other sections of comprehensive income statement.

Current income tax is determined based on income and current tax rate.
On May 13, 2016, the Georgian Parliament adopted a law on the profit tax reform in the "Georgian Tax Code" (also known as "Estonian model" of profit tax, meaning that the time of taxation is delayed from the date the profit was generated to the date when it was paid out). The law is applicable to the accounting periods after January 1, 2017, for all legal entities other than financial institutions (banks, insurance companies, microfinance organizations, pawnshops), to which the law shall become applicable from January 1, 2019 (NOTE: according to the announced legal initiative, the date may be delayed to January 1, 2023).

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 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.

Since 2008, income tax rate in Georgia has been 15%.

N) 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.

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

– 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, 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 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. The Company Management believes that this standard will not have a significant impact on financial statements.

5. Changes caused by reclassification of the item in the financial statements

In 2017 the Company made a decision to recognize the bank deposit amount with limited use as a separate item, while in the previous years it was recognized in cash and cash equivalents item. The correction was made through adjusting each of those items in the previous period. The following table summarizes the impact of the above change on the corresponding items of financial statements:

Statement of Financial Position

Accuracy GEL 1	Effect of changes caused by reclassification		
31/12/2016	Submitted	Correction	Adjusted
Current assets:			
Cash and cash equivalents	3,670,690	(3,002,619)	668,071
Deposits	-	3,002,619	3,002,619

6. Cash and cash equivalents

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Cah on hand	12,484	7,930
Current bank accounts	266,868	660,140
	279,351	668,071

7. Amounts on term deposits

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
JS Tera Bank (former JS KorStandard Bank)	-	1,410,220
JS TBC bank	1,000,000	-
JS Halyk Bank	929,220	529,360
JS ISBANK	863,466	846,976
JS Bank of Georgia	684,499	216,063
	3,477,185	3,002,619

Requirements of the Insurance state supervision service of Georgia:

1. A company seeking for the license from the moment submitting the written aoolication, and insurance companies at each stage of business must have deposit with bank establishment (establishment) duly licensed in Georgia in the amount of 100% of miniml capital.

2. o) Cash on hand and on the current and on demand accounts with the banking institutions (A12); it is allowable to invest not less than 10% of the "amount of insurance reserves intended for investment" in this area, while the amount deposited in each bank

shall not exceed 20% of the "amount of insurance reserves intended for investment", and the amount of cash on hand must not exceed 3% of the "amount of insurance reserves intended for investment" but not more than 100,000 (one hundred thousand) GEL.

8. Current insurance receivables

As of December 31 of 2016 and 2017, the Company had the following receivables:

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Motor insurance	648,221	708,764
Property insurance	179,176	102,093
Health insurance	1,158,818	782,903
Aviation insurance	7,196	7,348
Bonds	60,787	44,967
Cargo insurance	44,759	16,824
Travel insurance	3,792	7,438
Containers insurance	64,339	70,003
Liability insurance	136,705	159,638
	2,303,793	**1,899,977**

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Insurance receivables	2,303,793	1,899,977
Allowance for impairment	(119,575)	(90,304)
	2,184,219	**1,809,674**

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

	Gross 31.12.2017	Impairment 31.12.2017
Not due	2,140,525	21,405
Overdue: 0-30 days	27,885	1,394
Overdue: 31-60 days	17,429	2,614
Overdue: 61-90 days	13,063	3,919
Overdue: 91-120 days	9,318	4,659
Overdue: 121-360 days	48,581	38,864
Overdue for more than 365 days	46,992	46,992
	2,303,793	119,848

	Gross 31.12.2016	Impairment 31.12.2016
Not due	1,743,222	-
Overdue: 0-30 days	25,836	1,292
Overdue: 31-60 days	17,296	2,594
Overdue: 61-90 days	14,748	4,425
Overdue: 91-120 days	10,874	5,437
Overdue: 121-360 days	57,224	45,779
Overdue for more than 365 days	30,777	30,777
	1,899,977	90,304

9. Reinsurance receivables

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)	ნაშთი 31 დეკემბერი, 2015 წ. (ლარი)
Receivables from reinsurers' share in claims	-	118,989	849,510
Receivables from reinsurers' share in claims provisions	97,717	15,667	30,271
Receivables from reinsurance commission	24,573	366,519	848,616
	122,291	501,175	1,728,397

Reinsurance receivables from reinsurers' share in claims

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
JSC Insurance Company Allianz	-	2,947
Scor Perestrakhovaniye L.L.C.	-	116,042
Insurance Company Standard Insurance	-	-
	-	118,989

Reinsurance receivables from reinsurers' share in claims provisions

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Scor Perestrakhovaniye L.L.C.	97,483	15,433
Insurance Company Standard Insurance	234	234
	97,717	15,667

Reinsurance receivables from reinsurance commission

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Malakut Insurance Brokers	24,573	24,681
Scor Perestrakhovaniye L.L.C.	-	341,838
	24,573	**366,519**

10. Reinsurance advances

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Motor insurance	-	34,217
Property insurance	83,264	71,850
Health insurance	-	5,045
Aviation insurance	70,361	69,018
Cargo insurance	5,240	1,591
Marine hull insurance	8,658	8,393
Liability insurance	137,422	114,494
	304,946	**304,608**

11. Interest accrued on deposits

As of December 31 of 2016 and 2017, the Company had the following interest receivables from bank deposits:

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
JS Tera Bank (former KorStandard Bank)	0	1,075
JS TBC Bank	205	-
JS Halyk Bank	2,755	881
JS ISBANK	20,561	19,526
JS Bank of Georgia	10,298	-
	33,819	**21,482**

12. Other current assets

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Advances	35,831	55,394
Receivables from accountable persons	-	418
Advanced taxes	-	1,289
Advanced agents and brokers expenses	244,766	168,733
Subrogation	149,207	142,585
Salvages	-	444
Other current assets	51,144	45,295
	480,947	414,157

13. Fixed assets and intangible assets

	Repairs of rented property (GEL)	Transport (GEL)	Computer and communication facilities (GEL)	Office equipment and other fixed assests (GEL)	Intangible assets (GEL)	TOTAL (GEL)
Historic value						
Balance as at January 1, 2017	63,605	98,312	136,565	76,738	58,074	433,293
Increase	6,191	75,174	38,021	18,956	67,875	206,217
(Decrease)	-	43,990	-	-	-	43,990
Balance as at December 31, 2017	69,796	129,496	174,586	95,694	125,949	595,520
Depreciation, amortization and impairment						
Balance as at January 1, 2017	60,580	70,548	118,518	44,281	16,846	310,773
Depreciation and amortization expenses	1,450	21,834	8,344	8,499	10,926	51,053
Writing off	-	43,989	-	-	-	43,989
Balance as at December 31, 2017	62,030	48,393	126,862	52,780	27,772	317,837
Residual value as at December 31, 2017	7,766	81,103	47,724	42,914	98,177	277,684

	Repairs of rented property	Transport	Computer and communication facilities	Office equipment and other fixed assets	Intangible assets	TOTAL
	(GEL)	(GEL)	(GEL)	(GEL)	(GEL)	(GEL)
Historic value						
Balance as at January 1, 2016	63,605	98,312	132,222	76,215	16,837	**387,190**
Increase	-	-	4,343	523	41,237	**46,103**
(Decrease)	-	-	-	-	-	-
Balance as at December 31, 2016	**63,605**	**98,312**	**136,565**	**76,738**	**58,074**	**433,293**
Depreciation, amortization and impairment						
Balance as at January 1, 2016	59,440	50,886	112,870	36,666	8,513	**268,375**
Depreciation and amortization expenses	1,140	19,662	5,648	7,615	8,333	**42,398**
Writing off	-	-	-	-	-	-
Balance as at December 31, 2016	**60,580**	**70,548**	**118,518**	**44,281**	**16,846**	310,773
Residual value as at December 31, 2016	3,025	27,764	18,047	32,457	41,227	122,520

14. Deferred tax assets

Deferred income tax 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 changes 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.

As at December 31, 2017, in calculating deferred tax assets the Company uses only that part of the tax liabilities, which it plans to use during the current year.annules the deferred tax asset/(liability), as there is no evidence of its utilization within the following two years.

	Residual value (financial)	Residual value (tax)	Temporary differences	Current income tax rate	Income tax asset (liability)
2017					
Fixed assets	179,507	135,619	(43,888)	15%	(6,583)
Intangible assets	98,177	58,722	(39,454)	15%	(5,918)
Tax expense	-	426,218	426,218	15%	63,933
TOTAL	**277,683**	**620,559**	**342,876**		**51,431**

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

15. 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 mangement 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 provision (IBNR) is calculated by insurance statisticians, using actuarial method CHAIN LADDER. This method is based on claims history (frequency of losses and/or claims, number of losses, etc.) to make estimates regarding the current and future losses. This method implies creation of appropriate provision for the losses reported after a certain period from the loss occurrence or from policy inception, and after sufficient information is collected about the current losses, in order to stablish total loss estimate.

Incurred but not reported claims provision (IBNR) for those lines that lack the statistics data, is establilshed according to the calculations of Supervisory Service.

Reported but not settled claims provision according to the lines of business:

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Motor insurance	77,073	189,465
Property insurance	25,947	-
Health insurance	286,667	280,822
Bonds	-	10,474
Cargo insurance	-	15,000
Container insurance	19,836	3,483
Liability insurance	102,527	15,086
	512,050	514,330

16. Reinsurance payables

As at December 31 of 2016 and 2017, liabilities of the Company to reinsurers and brokers was as follows:

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Azre Reinsurance OJSC	9,067	144,414
Polish Reinsurance Company	23,758	3,592
Insurance Company Standard Insurance	-	3,383
Scor Perestrakhovaniye L.L.C.	201,066	881,120
MAI Gergia	19,442	21,968
ZamanBroker insurance&reinsurance	-	569
Sava Reinsurance Company D.D.	293	-
Ingostrakh insurance company	-	29,115
	253,626	1,084,161

17. Unearned premium reserve

Structure of the Company's deferred insurance income for the years 2016 and 2017 is as follows:

	Deferred income 31-Dec-16	Written premium 2017	Earned premium 2017	Deferred income 31-Dec-17
Motor insurance	739,914	1,574,184	1,501,662	812,436
Property insurance	196,546	525,411	394,521	327,436
Health insurance	748,271	1,908,084	1,663,535	992,819
Aviation insurance	69,018	83,648	82,305	70,361
Bonds	59,770	126,458	100,416	85,812
Cargo insurance	6,788	97,641	85,433	18,996
Travel insurance	5,309	21,098	21,837	4,570
Containers insurance	14,442	381,492	381,020	14,914
Marine hull insurance	12,980	82,609	82,199	13,390
Liability insurance	209,344	321,712	365,896	165,161
	2,062,381	5,122,337	4,678,823	2,505,895

	Deferred income 31-Dec-15	Written premium 2016	Earned premium 2016	Deferred income 31-Dec-16
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
Bonds	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
Marine hull 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

18. Future income from reinsurance commission

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Motor insurance	-	1,396
Property insurance	2,508	1,350
Aviation insurance	-	1,836
Liability insurance	-	4,613
	2,508	**9,195**

19. Other payables

Structure of the Company's taxes and other payables as at December 31 of 2016 and 2017, is as follows:

	Balance December 31, 2017 (GEL)	Balance December 31, 2016 (GEL)
Trade creditors	16,655	21,792
Payables to employees	11,786	-
Taxes payable	56,960	-
Brokers and agents commissions	100,906	204,707
Deposited amounts	44,970	-
Other current liabilities	6,737	6,836
	238,014	**233,335**

20. Share capital

The table below shows the Company's fully paid in share capital, as at December 31, 2016 and 2017.

	2017		2016	
Issued and paid share capital	Number of shares	Nominal value	Number of shares	Nominal value
Ordinary shares	2800	2160.273018	2800	1898.440464

21. Net earned insurance premium

During the years 2017 and 2016 the Company received income from the following insurance contracts/policies:

	2017 (GEL) Motor insurance	2017 (GEL) Property insurance	2017 (GEL) Health insurance	2017 (GEL) Aviation insurance	2017 (GEL) Bonds	2017 (GEL) Cargo insurance	2017 (GEL) Travel insurance	2017 (GEL) Containers insurance	2017 (GEL) Marine hull insurance	2017 (GEL) Liability insurance	2017 (GEL) TOTAL
Earned premium	1,501,662	394,521	1,663,535	82,305	100,416	85,433	21,837	381,020	82,199	365,896	**4,678,823**
Reinsurance expence	(26,662)	(130,693)	(5,045)	(82,305)	-	(15,658)	-	-	(53,152)	(196,363)	**(509,878)**
	1,475,000	**263,827**	**1,658,490**	-	**100,416**	**69,775**	**21,837**	**381,020**	**29,047**	**169,532**	**4,168,945**

	2016 (GEL) Motor insurance	2016 (GEL) Property insurance	2016 (GEL) Health insurance	2016 (GEL) Aviation insurance	2016 (GEL) Bonds	2016 (GEL) Cargo insurance	2016 (GEL) Travel insurance	2016 (GEL) Containers insurance	2016 (GEL) Marine hull 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 expence	(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**

22. Insurance claims

	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)
	Motor insurance	Property insurance	Health insurance	Aviation insurance	Bonds	Cargo insurance	Travel insurance	Containers insurance	Marine hull insurance	Liability insurance	TOTAL
Insurance claims	1,050,135	34,552	1,309,110	-	(5,625)	(12,006)	-	37,584	-	99,754	2,513,505
	1,050,135	34,552	1,309,110	-	(5,625)	(12,006)	-	37,584	-	99,754	2,513,505

	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)
	Motor insurance	Property insurance	Health insurance	Aviation insurance	Bonds	Cargo insurance	Travel insurance	Containers insurance	Marine hull insurance	Liability insurance	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

23. Income from reinsurers's share in claims

	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)	2017 (GEL)
	Motor insurance	Property insurance	Cargo insurance	Liability insurance	TOTAL
Reinsurers' share in claims	-	21,234	(12,900)	73,716	82,050
	-	21,234	(12,900)	73,716	82,050

	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)
	Motor insurance	Property insurance	Cargo insurance	Liability insurance	TOTAL
Reinsurers' share in claims	77,362	9,925	12,900	4,081	104,268
	77,362	9,925	12,900	4,081	104,268

24. Other income from insurance operations

	2017 (GEL)	2016 (GEL)
Subrogation income	170,859	178,000
Income from deductible	42,269	82,349
Income from salvages	38,836	84,472
	251,964	344,821

25. Administrative costs

	2017 (GEL)	2016 (GEL)
Salaries	1,242,831	1,028,122
Rental	177,940	165,700
Uriilties and communication expenses	44,583	38,634
Audir and consulting	103,836	33,821
Depreciation and amortization	51,053	42,398
Payables and penalties	1,380	2,605
Bank expenses	12,115	6,203
Representation expenses	20,177	15,636
Fuel expenses	24,556	22,748
Insurance	23,013	20,115
Other administrative costs	160,084	107,283
	1,861,568	1,483,266

26. Interest income

In 2017 the Company allocated funds in different banks: JS Tera Bank (former JS Kor Standard Bank), JS Halyk Bank, JS IsBank, JS TBC Bank, and JS Bank of Georgia. Financial income for 2017 was income from bank deposits.

While the Company is a licensed financial institution, its interest income received from other financial institutions is subject to 15% income tax.

	2017 (GEL)	2016 (GEL)
JS Tera Bank (former JS KorSTandard Bank)	21,574	50,642
JS Halyk Bank	47,058	21,364
JS Caucasus development bank	-	1,834
JS ISBANK	34,292	17,474
JS Bank of Georgia	13,755	3,258
JS TBC Bank	12,740	-
	129,418	94,571

27. Other non-operating income/(loss)

	2017 (GEL)	2016 (GEL)
Income / (loss) from sale of fixed assets	19,139	-
Income / (loss) from sale of salvages	(28,254)	-
Other income / (loss)	111,446	(20,016)
	102,331	**(20,016)**

28. Income tax

Current tax rate is income tax - 15%.

	2017 (GEL)	2016 (GEL)
Income / (loss) before tax	(49,296)	334,237
Income tax rate	15%	15%
Financial income tax	(14,444)	50,135
Change caused by nondeductible difference	96,651	(4,958)
Income tax income (expense)	**82,207**	**45,177**

29. Fair value of financial assets and liabilities

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Company has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

30. Risk management

A) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities. The Company recognizes the critical importance of having efficient and effective risk management systems in place. Policies are implemented defining the risk appetite, risk management, control and business standards. Risk management policies and procedures are regularly reviewed in terms of responding to changes in market conditions, products and provided services, and to secure adherence to the best practices.

Based on the use of financial instruments, the Company faces the following risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages the level of credit risk it accepts through a comprehensive group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty, geographical and industry segments; right of offset where counterparties are both debtors and creditors.

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.

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 foreign 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).

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.

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 table below shows the currency structure of assets and liabilities as of December 31 of 2016 and 2017.

	GEL	EUR	USD	Total
Cash and cash equivalents	263,209	-	16,142	279,351
Amounts on term bank deposits	1,670,000	-	1,807,185	3,477,185
Current insurance receivables	1,637,991	3,139	543,089	2,184,219
Reinsurance receivables	-	-	122,291	122,291
Reinsurance advances	304,946	-	-	304,946
Interest accrued on deposits	2,854	-	30,965	33,819
Other current assets	480,947	-	-	480,947
TOTAL ASSETS:	4,359,947	3,139	2,519,672	6,882,757
Reported but not settled claims provision	512,050	-	-	512,050
Incurred but not reposrted claims provision	174,780	-	-	174,780
Reinsurance payables	7,848	-	245,778	253,627
Unearned premium reserve	2,505,895	-	-	2,505,895
Future income from reinsurance commission	2,508	-	-	2,508
Other current liabilities	238,014	-	-	238,014
TOTAL LIABILITIES:	3,441,095	-	245,778	3,686,874
Net balamce sheet items by 31.12.2017	918,851	3,139	2,273,893	3,195,884

	GEL	EUR	USD	Total
Cash and cash equivalents	616,591	31,232	20,248	668,071
Amounts on term bank deposits	-	1,145,540	1,857,079	3,002,619
Current insurance receivables	869,054	3,685	936,935	1,809,674
Reinsurance receivables	-	-	501,175	501,175
Reinsurance advances	45,230	-	259,378	304,608
Interest accrued on deposits	-	745	20,737	21,482
Other current assets	414,157	-	-	414,157
TOTAL ASSETS:	1,945,033	1,181,202	3,595,551	6,721,786
Reported but not settled claims provision	514,330	-	-	514,330
Incurred but not reposrted claims provision	178,661	-	-	178,661
Reinsurance payables	5,812	-	1,078,350	1,084,161
Unearned premium reserve	2,062,381	-	-	2,062,381
Future income from 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 balamce sheet items by 31.12.2016	(1,058,681)	1,181,202	2,517,201	2,639,723

Sensitivity analysis

A reasonably possible strengthening/ (weakening) of GEL, as indicated below, against the USD as at 31 December 2016 and 2017 would have affected the measurement of financial instruments denominated in USD and affected equity and profit or loss after taxes by the amounts shown below. The currency movements would have no direct impact on other comprehensive income or equity. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2017	2016
USD 10% increase to GEL	227,389	251,720
USD 10% decrease to GEL	(227,389)	(251,720)
EUR 10% increase to GEL	314	118,120
EUR 10% decrease to GEL	(314)	(118,120)

B) Insurance risk 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 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 uncertainty, 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.

Health insurance

Health insurance cover is subject to the primary peril of the need for a medical treatment. The Company manages its risk through writing predominantly corporate policies and through the use of medical screening so that pricing considers current health conditions. Apart of that, the Company has clinics and pharmacies as service providers, working at predermined 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 (like 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 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.

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.

Reinsurance risk

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. However, the reinsurer's obligations do not relieve the Company from its direct obligations to the Policyholders.

In order to reduce insurance risks, the Company uses various reinsurance programs covering individual and portfolio risks. These programs allocate the risks and reduce the effect of losses. According to reinsurance contract, the reinsurer undertakes to reimburse their share in loss. At the same time, the Company remains liable to its policyholders in respect of the above insurance risks, should any of the reinsurers become unable to meet their contractual obligations. Before entering in agreement, the Company considers reinsurers' solvency according to their ratings and based on the research conducted by the Company. At the end of each year, the Management evaluates reinsurer's solvency in order to update reinsurance strategies and to establish the impairment limit for reinsurance assets.

31. Capital management

The main goal of capital management is to continuously perform adequate monitoring of equity in accordance with the existing risks and to maintain it on the adequate level.

The Company's interests include to maintain adequate capital resources at any time and to comply with the capital requirements.

Investment and risk management strategy is a part of capital monitoring and management, aimed at maintenance of minimal level of funds deposited with the leading Georgian banks.

Local insurance supervisor has established the rule of detrmining minimal capital amount for the insurance companies.

According to the requirements of Insurance State Supervision Service of Georgia:

Before December 31, 2016, insurance companies must ensure minimal own capital amount as follows: Life insurance GEL 1,500,000 and non-life insurance GEL 1,000,000. The companies must have funds allocated with bank institutions licensed in Georgia in the amount of 80% of minimal capital.

Before December 31, 2016, companies must ensure minimal own capital amount as follows: Life insurance GEL 2,200,000 and non-life insurance GEL 2,000,000. The companies must have funds allocated with bank institutions licensed in Georgia in the amount of 100% of minimal capital.

Before December 31, 2018, the companies must ensure minimal own capital amount as follows: Life insurance GEL 4,200,000, and non-life insurance other than mandatory liabilities GEL 3,400,000, and non-life mandatory liabilities – GEL 4,200,000. The companies must have funds allocated with bank institutions licensed in Georgia in the amount of 100% of minimal capital.

These requirements aim to ensure solvency. The Company has to adhere to them. Failure to comply with these requirements may lead to negative results, including penalties imposed by the Insurance State Supervision Service of Georgia.

JS "Insurance Company Prime" continuously complies with minimum capital requirement of Insurance State Supervision Service of Georgia.

At the same time, based on the decree #16, clause 1, of the Head of Insurance State Supervision Service of Georgia:

Before July 1, 2017, equity must exceed 50% of solvency margin.

From July 1, 2017 until January 1, 2018, equity must exceed 75% of solvency margin.

JS Insurance Company Prime meets capital requirements established by Insurance State Supervision Service of Georgia.

32. Relatesd party transactions

Transactions with founders and subsiadiaries

The founder of JS Insurance Company Prime is MERCURY EUROPE HOLDINGS (Code: B 165504, Address: 11 Emile Reuter ave., L-2420, Luxembourg). Ultimate beneficiary of the Company is Alia Babaeva (Azerbaijan).

Transactions with Management

	2017	2016
Salaries and other benefits	242,632	299,544

	2017	2016
Gross written premium	1,571	3,111
Reinsurance expenses	-	-
Net earned insurance premium:	**1,571**	**3,111**
Claims expenses	3,844	890
Agents and brokers commission	-	551
Income/(loss) from insurance operations:	**3,844**	**1,441**

	31/12/2017	31/12/2016
Assets		
Reinsurance receivables	-	649,458
Total assets:	-	**649,458**
Liabilities		
Unearned premium reserve	589	2,291
Total liabilities:	**589**	**2291**

Transactions with other related parties

	31/12/2017	31/12/2016
Assets		
Other current assets	7,633	-
Investments	24,035	-
Total assets:	**31,668**	-

	2017	2016
Agents and brokers commission	47,536	-
Income/(loss) from insurance operations:	**47,536**	-

33. Going concern consideration

Litigations

As at 31 December 2017 the Company is subject to 4 lawsuites:

- Claimant – Iasin Kurbanov;
- Claimant – Shamshe Mzhavanadze;
- Claimant – Besik Chubinidze;
- Claimant – Alik Topchiev.

The Company is subject to many lawsuits, where the claimant is the Company. The lawsuits are related to receivables, including from subrogation.

Legislation

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

34. Events after reporting date

In February 23, 2018 the Company was rebranded. In the results its legal name was changed to JS "Insurance Company Prime".

From March 1, 2018 mandatory liability insurance of the owners of non-registered vehicles was adopted in Georgia.