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AUDIT CONCERN

JSC Insurance Company Tao

Financial Statements

January 1, 2015 – December 31, 2015

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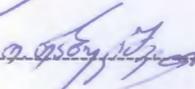
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Insurance Company Tao JSC
 Comprehensive Income Statement

from January 1, 2015 – through December 31, 2015

	Note	2015	2014
Total written premium		403 410	1 827 782
Change in unearned premium reserve		774 371	1 153 160
Reinsurance costs		(454 670)	-
Net unearned insurance premium:	3	723 111	2 980 942
Insurance claims	4	(344 585)	(2 170 855)
Income from compensation of damages received from reinsurance		36 890	-
Agent's and broker's commission		(10 745)	(74 713)
Impairment expense		(208 045)	(396 909)
Other income from insurance activities	5	11 847	75 011
Income from reinsurance commission		43 875	-
Change in the incurred but not reported claims reserve		79 873	74 617
Change in the reported, but not settled claims reserve, reinsurance share		11 552	-
Change in the reported, but not settled claims reserve		12 745	1 415 054
Income (loss) from insurance activities:		356 518	1 903 147
Administrative costs	6	(402 985)	(938 276)
Total operating income:		(46 467)	964 871
Financial income	7	553 180	607 760
Income / (loss) from exchange differences		(5 183)	34 987
Other non-operating income / (loss)	8	149 000	-
Income before tax:		650 531	1 607 618
Income tax		(223 276)	(315 076)
Income (loss) for the period		427 255	1 292 542
Total income (loss) for the year		427 255	1 292 542

Director General -----  ----- Lasha Khakhutaishvili

Financial manager -----  ----- Tornike Tabukashvili

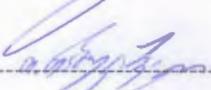
Insurance Company Tao JSC

Statement of Financial Position

as at December 31, 2015

	Note	Balance 01.01.2016	Balance 01.01.2015
Total Current Assets:		6 309 701	6 853 700
Cash and cash equivalents	9	3 507 043	5 971 923
Current receivables from the insurance activities	10	302 349	813 984
Other current receivables	11	6 000	9 436
Loans issued	12	2 294 179	-
Prepaid and prepaid taxes	13	124 859	2 312
Deferred acquisition costs		-	2 197
Reinsurer's share in the reported but not settled claims reserve		11 552	-
Receivable interest, dividends and other	14	63 720	53 848
Total long-term assets		33 759	123 820
PPE		1 180	2 120
Intangible assets		1 000	684
Deferred tax asset	15	31 579	121 016
Total assets:		6 343 460	6 977 520
Total current liabilities		1 042 617	2 103 932
Reinsurance liability payable	16	335 306	435 399
Incurred, but not reported claims reserve		8 636	88 509
Reported, but not settled claims reserve		220 160	232 905
Taxes payable and other current liabilities	17	161 235	255 467
Deferred income	18	317 281	1 091 652
Total liabilities:		1 042 617	2 103 932
Equity			
Authorized capital		2 500 000	2 500 000
Retained income / (uncovered loss)		2 800 842.97	2 373 588.00
Including current year income (loss)		427 255	1 292 542
Total equity:		5 300 843	4 873 588
Total liabilities and equity:		6 343 460	6 977 520

Director General -----  ----- Lasha Khakhutaishvili

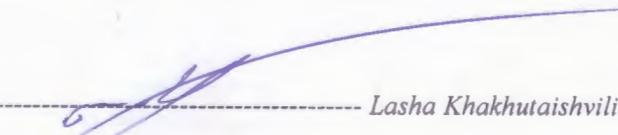
Financial manager -----  ----- Tornike Tabukashvili

Insurance Company Tao JSC

Cash Flow Statements

from January 1, 2015 – through December 31, 2015

	2015	2014
Cash flows from operating activities		
Insurance premium received	766 238	2 662 320
Reinsurance premium paid	(377 885)	-
Claims paid	(344 334)	(1 990 799)
Claims paid by reinsurers	3 980	-
Salaries paid	(161 417)	(258 822)
Agent and broker commissions	(13 089)	(63 559)
Communication and utility costs	(966)	(9 032)
Advertising sement	-	(3 189)
Audit and consulting	(57 233)	(39 106)
Rent paid	(183 139)	(589 654)
Income tax paid	(279 303)	-
Paid taxes other than income tax	(45 350)	(81 598)
Cash flow from other operating activities	(10 552)	(29 720)
Net growth of cash flows from operating activities	(703 049)	(403 159)
Cash flows from investing activities		
Loans issued	(2 850 000)	-
Loans issued coverage	740 000	-
Interest received from deposits	347 076	637 661
Interest received from loans issued	-	-
Net growth of cash flows from investing activities	(1 762 924)	637 661
Cash flows from financial activities		
Revenues from shares emission / capital growth	-	-
Long-term loans received	-	-
Long-term loans covered	-	-
Interest paid	-	-
Cash flows from financial activities net growth	-	-
Increase (decrease) due to exchange rate change	1 093	(184)
Cash and cash equivalents net growth:	(2 464 881)	234 318
Cash and cash equivalents beginning balance:	5 971 923	5 737 605
Cash and cash equivalents ending balance:	3 507 043	5 971 923

Director General -----  ----- Lasha Khakhutaishvili

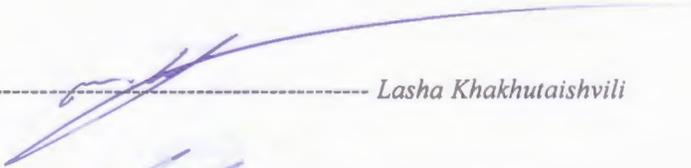
Financial manager -----  ----- Tornike Tabukashvili

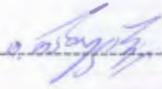
Insurance Company Tao JSC

Statement of Changes in Equity

as at December 31, 2015

	Authorized capital	Emission capital	Revaluation reserve	Accumulated income (loss)	Total:
Balance as at December 31, 2013	2 500 000			1 081 046	3 581 046
Share capital increase (decrease)	-	-	-	-	-
Current period income (loss)	-	-	-	1 292 542	1 292 542
Balance as at December 31, 2014	2 500 000			2 373 588	4 873 588
Share capital increase (decrease)	-	-	-	-	-
Current period income (loss)	-	-	-	427 255	427 255
Balance as at December 31, 2015	2 500 000			2 800 843	5 300 843

Director General -----  ----- Lasha Khakhutaishvili

Financial manager -----  ----- Tornike Tabukashvili

1. General Information

The Insurance Company Tao JSC (hereinafter – the Company) was incorporated on August 22, 2007 by Tbilisi Tax Inspection, identification code #202408386, legal address: #3 Pushkin str., Old Tbilisi district, Tbilisi. It was registered according to the Law of Georgia “*On Entrepreneurs*”. On December 22, 2015, according to the Law of Georgia “*On Insurance*” The Insurance Company Tao LLC changed its legal form and became The Insurance Company Tao JSC. The *Company* is not a VAT payer. Until May 1, 2015 the Company’s founder and 100% owner was the Privatbank Georgia JSC. On May 1, 2015 shares were alienated and the 100% owner of the Company became The Insurance Company Aldagi JSC. As at December 31, 2015, the founder of the Company was the Insurance Company Aldagi JSC, which owned 100% of the *Company*’s shares. Authorized capital of the Company amounts to GEL 2500000.

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

The main activities of the Company comprise all the types of insurance activities.

2. Significant Accounting Policies

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

These financial statements have been prepared based on the original (historical) cost principles. The Company accounts available for sale financial assets, if any at fair value. During 2015 The Insurance Company Tao JSC did not have such assets.

The Company’s financial statements are presented at one (1) Georgian Lari accuracy, because the majority of the Company’s operations are presented in the national Georgian currency. Transactions in other currencies are treated as transactions in foreign currency. The Company shall present the financial position statement by balance items liquidity.

Significant accounting policies, based on which the financial statements were prepared are given below.

2.1. Cash flows

The Company presents the cash flows from the sale of insurance policies / contracts and purchase of reinsurance contracts as operating cash flows, as the Company's activity is the insurance business.

2.2. Subsidiaries

The company subsidiaries are the companies in which it has more than half of the votes and has the right to control their activities. As at December 31, 2015 Insurance Company Tao JSC had no subsidiaries.

2.3. Insurance Contracts and Insurance Revenues Recognition

Insurance contracts / policies are defined as contracts / policies, which comprise a significant insurance risk from the point of effectiveness of the contract / policy, or at the point of effectiveness of the contract / policy the insurance risk may be significant. Insurance risk depends on the probability of an insured event and the volume of its future results. Once the contract is recognized as an insurance contract, it is considered as an insurance contract over its remaining validity period (unless the cancellation / annulment), even if the insurance risk is dramatically reduced.

The Company generates its income from the sale of various types of insurance contracts / insurance policies. The Company recognizes the income from the contracts / policies as the earned income according to the period for which is specified validity of the insurance contract / policy or bank guarantee. Upon issuance of the policy and bank guarantee Company recognized the full amount of insurance premium (the bank guarantee cost) as the written income, and then evenly distributes the income over the relevant periods (days).

2.4. Other income

Other income of the Company is the interest income from deposits placed in the commercial banks of Georgia. The Company recognizes the interest income for the period, respectively, during which the income is obtained and reflects it the income-loss statement.

2.5. Other Non Insurance Costs

The company recognizes the other non-insurance receivables upon their occurrence and refers these expenses to the reporting period to which they belong.

2.6. Deferred Income

The Company defers the future periods income and reflects them in the balance. The part of the insurance premiums that belong to later periods, is deferred as unearned premium. The unearned premium reserve change is reflected in the consolidated income-loss statement to the extent that earnings are recognized in the period of risk, or in proportion to the expected future benefit.

2.7. Insurance Reserves

Procedure for the formation of insurance reserves is regulated by the Insurance Supervision Service. As at December 31, 2015, the Company had all the three reserves determined under the legislation of Georgia: unearned premium reserve, declared, but not settled claims reserve and incurred but not reported claims reserve.

The Company's declared, but not settled claims reserve consists of two parts: the part of the reserve, received by the Company by the end of the reporting period based on the document (invoice) basis; the part of the reserve, the amount of which is not confirmed by the tax document, but the amount can be reliably measured.

2.8. Deductions

Deductions are recognized in the balance in the case if the Company has a legal or constructive obligation as a result of the circumstances of the past, and is likely pass the economic benefits to cover this liability.

2.9. Cash and Cash Equivalents

Cash and cash equivalents for the Company comprise cash on hand, money in the current bank accounts and money in the bank deposits, with the withdrawal period which does not exceed one year.

2.10. Receivables from the Insurance Activities and Other Current Receivables

Insurance and reinsurance receivables are recognized based on insurance contract / policy / reinsurance contracts terms and measured at the contractual amount (cost). The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the Company's comprehensive income.

Reinsurance receivables include balances due from insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if it was direct business. Amounts paid to reinsurers are recognized in accordance with the reinsurance contracts.

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

Other receivables are all the other current receivables except non-insurance receivables, pre-paid taxes and pre-paid expenses.

Loss due to impairment in connection with insurance and other receivables is recognized in income-loss statement.

2.11. Financial Assets

In accordance with the International Accounting Standard 39 financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, fixed-term investments, or financial assets available for sale. Initially, financial assets are recognize at the market value, however, in the case of investments at the non-market value through profit or loss, costs directly attributable to transaction are added to the fair value. The Company determines the classification of financial assets upon initial recognition. The

classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified at fair value through profit or loss, because the Group's strategy is to manage financial assets, which are acquired to cover its insurance and investment contract liabilities on the same ground, at fair value. Available for sale and held to maturity categories are used when the relevant liability is passively managed and/or carried at amortized cost. Typically, sales and purchase of financial assets are recognized at the trade transaction day, ie the date when the Group purchases an asset. Purchases and sales of financial assets are such operations, which require delivery of assets to the point of destination within the period determined by the law or established in the market.

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

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

2.12. Insurance Liabilities

General insurance liabilities include the outstanding claims reserve, the reserve for unearned premium and the reserve for premium deficiency. General contractual liabilities are based on the determined 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 on available data and current assumptions. The liability is not discounted for the time value of money. The liability is derecognized when the obligation to cover is expired, terminated or cancelled. The reserve is recognized when contract is entered into force and premium is 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 by liability adequacy test determines the expected claims and deferred acquisition costs surplus over unearned premium.

2.13. Current Liabilities

Current liabilities are the liabilities accrued on the delivered goods / provided services.

2.14. Taxes

Income tax expense comprises current and deferred income tax expense. The income tax part, which directly refers to the equity is reflected directly in the equity items.

The Company's current income tax is calculated using tax profit and the applicable tax rate.

Deferred income tax is calculated using the balance liability method, taking into account all the temporary differences, which rise between the asset (liabilities) calculated using the International Financial Reporting Standards and the asset (liabilities) calculated taking into account the tax legislation. International Accounting Standard (IAS) #12.47 deferred taxes are calculated using the tax rates that are applicable or will be applicable in the period, when the time of use of the deferred asset (liability) comes for the Company. In addition, if there is any benefit from the Company's tax losses, which can be carried to future periods, this benefit (deferred asset) will be also included into the deferred taxes calculations.

Deferred taxes are not counted only in those cases, if it is known that these tax benefits can not be used.

The income tax rate in 2015 in Georgia was 15%.

2.15. Currency Conversion

The financial statements are presented in GEL, which represents the Company's functional currency. Foreign currency conversion is made at the current rate of the day of transaction. Foreign currency monetary assets and liabilities are converted in GEL at the National Bank of Georgia (NBG) currency exchange rate for the reporting date. Profit-loss caused by the revaluation of transactions in foreign currency are recognized in the consolidated comprehensive income as the profit-loss caused by the foreign currency conversion (exchange differences), except when the profit or loss is recognized directly in equity less the currency exchange component. Non-monetary items, which are recognized in terms of historical cost in a foreign currency, are converted at the exchange rate of the initial transaction. Non-monetary items determined in fair value in foreign currency are converted at the currency exchange rate of the day of the fair value determination. Differences between the contractual exchange rate of the operation and the NBG currency exchange rate on the day of operation are included in operations as a profit from exchange of foreign currency less losses.

31.12.2014 - USD 1 = 1.8636 GEL, EUR 1 = 2.2656 GEL, RUB 100 = 3.2879 GEL

31.12.2015 - USD 1 = 2.3949 GEL, EUR 1 = 2.6169 GEL, RUB 100 = 3.2724 GEL

3. Net Insurance Premium Earned

During 2015, the Company has received the income from sale of the following types of insurance contracts/policies:

	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)
	Life insurance	Motor insurance	Health insurance	Bond	Other insurance	Total
Earned premium	662 073	326 891	79 856	19 136	89 825	1 177 781
Reinsurance expenses	(284 452)	(127 226)	-	(8 033)	(34 958)	(454 670)
	377 621	199 665	79 856	11 103	54 867	723 111

4. Insurance Claims

	2015 (GEL)	2014 (GEL)
Health insurance	201 393	1 997 442
Motor insurance	116 385	161 712
Life insurance	25 905	1 050
Other insurance	902	10 651
	344 585	2 170 855

5. Other Income from Insurance Activities

Company's other income from insurance activities amounted to GEL 11847 as at 2015. Other income from insurance activities during the reporting period were the income from salvage GEL 5105, and the income from subrogation GEL 6742.

6. Administrative Costs

	2015 (GEL)	2014 (GEL)
Employees compensation	198 418	300 877
Rent costs	137 500	529 689
Depreciation and amortization	541	16 798
Car and fuel costs	4 072	13 387
Repair works	1 019	6 594
Utility payments	-	5 347
Representation expenses	-	3 300
Audit and consulting	22 392	49 334
Communication expenses	707	2 764
Bank payments	1 252	1 966
Discounts	26 428	-
Employees insurance	313	490
Other expenses	10 343	7 730
	402 985	938 276

7. Financial Income

During 2015 as well as in 2014 the Company placed own funds in three different banks – Bank of Georgia JSC, KOR Standard Bank JSC and Private Bank JSC. The Company's financial income of 2015 was the income from deposits placed in banks and the interest accrued on the current accounts, and also the income from loans issued – GEL 553180.

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

	2015 (GEL)	2014 (GEL)
Interest income from deposits	369 001	607 760
Interest income from issued loans	184 179	-
	553 180	607 760

8. Other Non-Operating income / (loss)

	2015 (GEL)	2014 (GEL)
Income from reinsurance liabilities written off	100 093	-
Income received from advances written off	25 605	-
Income from other liabilities written off	65 042	-
Expenses from other assets written off	(41 740)	-
	149 000	-

9. Cash and cash equivalents

	Balance 01.01.2016 (GEL)	Balance 01.01.2015 (GEL)
Cash on hand	-	7
Cash in the bank accounts	481 038	5 210 076
Time deposits	476 005	761 840
Discount deposit certificate	2 550 00	-
	3 507 043	5 971 923

10. Current Receivables from Insurance Activities

As at December 31, 2015, receivables from health, life, motor, bond and other insurance of a total of GEL 302350 on the Company's balance.

	Balance 01.01.2016 (GEL)	Balance 01.01.2015 (GEL)
Insurance receivables	1 747 031	2 066 708
Insurance receivables impairment	(1 444 681)	(1 252 724)
	302 350	813 984

11. Other Current Receivables

	Balance 01.01.2016 (GEL)	Balance 01.01.2015 (GEL)
Receivables from employees	-	4 837
Advances	6 000	4 599
	6 000	9 436

12. Loans Issued

	Balance 01.01.2016 (GEL)	Balance 01.01.2015 (GEL)
Issued loan (principal)	2 110 000	-
Issued loan accrued interest	184 179	-
	2 294 179	-

13. Pre-paid Expenses and Taxes

As at December 31, 2015 the structure of the pre-paid expenses and taxes on the Company's balance was as follows:

	Balance 31.12.2015 (GEL)	Balance 31.12.2014 (GEL)
Pre-paid income tax	124 859	-
Other prepaid taxes	-	2 312
	124 859	2 312

14. Receivable Dividends, Interest and Other

As at December 31, 2015 the Company had to receive GEL 63720 from deposits at the Bank of Georgia JSC, KOR Standard Bank JSC and PrivatBank JSC.

	Balance 01.01.2016 (GEL)	Balance 01.01.2015 (GEL)
Bank of Georgia JSC	43 054	20 408
KOR Standard Bank JSC	20 665	14 247
PrivatBank JSC	-	19 193
	63 720	53 848

15. Deferred Tax Asset

	Residual value (financial)	Residual value (tax)	Temporary differences	Income tax rate applicable	Income tax asset (liability)
2015					
Charged claims	(228 795)	(226 852)	1 943	15%	292
Bad receivables correction	(1 444 681)	(1 236 095)	208 586	15%	31 288
Total	(1 673 476)	(1 462 947)	210 530		31 579

16. Liabilities to Reinsurer

As at December 31, 2015, the Company's liability to the reinsurer SCOR PERESTRAKHOVANIYE amounted to GEL 335306, which is the residue of liabilities accrued in 2010-2011.

17. Taxes Payable and Other Current Liabilities

As at December 31, 2015 the Company's taxes payable and other current liabilities structure is as follows.

	2015 (GEL)	2014 (GEL)
Advances received	90 734	25 584
Salaries and bonuses payable	1 208	1 908
Payable broker's and agent's fee	47 315	51 600
Current tax payables	21 406	143 153
Income tax liability	-	30 426
Other taxes	572	-
Other current liabilities	-	2 796
	161 235	255 467

18. Deferred Income (UPR reserve)

The Company's 2014 and 2015 deferred insurance income structure was as follows:

	Deferred income 31.12.2014	Written premium 2015	Earned premium 2015	Deferred income 31.12.2015
Life insurance	303 574	369 832	662 073	11 333
Motor insurance	753 816	(122 392)	326 891	304 534
Health insurance	12 638	67 219	79 856	-
Bond	4 454	14 826	19 136	144
Other insurance	17 170	73 926	89 825	1 270
	1 091 652	403 410	1 177 781	317 281

19. Authorized capital

On December 31, 2015, the authorized capital of the Company was GEL 2 500 000, which was completely filled in the form of cash. During the reporting period the Company did not increase or decrease the authorized capital.

20. Going Concern

These Financial Statements prepared in accordance with the International Financial Reporting Standards have been prepared taking into account that the Company is a going concern, which means that realization of assets and coverage of liabilities are carried out in the ordinary course of business.

21. Contingencies

The tax system of Georgia is relatively new and because of that is characterized by frequent legislative changes. These changes are of quite vague and often contradictory nature, thereby allowing the tax authorities to interpret these changes in different ways. Tax audit may be conducted by various bodies, leaving the Company with a threat of imposing variety of penalties or fines.

These circumstances create such tax risk, which is much higher in Georgia than in other countries. The Management believes that its approach to tax issues at this point is appropriate for the applicable legal interpretations in Georgia, but it is possible that these interpretations subsequently change and the tax authorities have different position on the similar issues.