JSC INSURANCE COMPANY UNISON

Financial Statements and

Independent Auditor's Report

Year ended 31 December 2015

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INDEPENDENT AUDITOR'S REPORT

To the shareholders and management of JSC Insurance Company Unison

Report on the Financial Statements

We have audited the accompanying Financial Statements of the JSC Insurance Company Unison (hereinafter - the Company), which comprise the Statement of Financial Position as at December 31, 2015, and the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with international Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Company during the reporting period was engaged in fronting and retrocession contracts which are with same terms completely reinsured. The Company accounts those contracts as insurance contracts until reporting year ended December 31, 2015 that contradicts requirments of IFRS 4 – "Insurance Contracts". According to IFRS 4 contract should be classified as insurance contract if it bears a significant insurance risk.

The gross written premium gained and reinsurer's share of gross written premium from above-mentioned contracts in 2014 was GEL 37,542,442.

Qualified Opinion

In our opinion, except effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the JSC Insurance Company Unison as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

13 April, 2016

Tbilisi, Georgia

JSC INSURANCE COMPANY UNISON

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

(In GEL)

	Note	2015	2014
Gross written premiums on insurance contracts		27,715,267	48,530,064
Reinsurer's share of gross written premium on insurance contracts		(15,894,637)	(43,199,077)
Net written premium		**11,820,630**	**5,330,987**
Changes in provision for unearned premiums		(8,224,564)	(18,824,034)
Changes in the re-insurers portion in provision for unearned premiums		3,697,285	18,850,526
Net insurance revenue	4	7,291,086	5,357,479
Commission income	5	439,497	439,800
Total revenue		**7,732,848**	**5,797,279**
Insurance claims and loss adjustment expenses		(6,577,519)	(4,158,141)
Insurance claims and loss adjustment expenses recovered from reinsurers		2,318,730	1,704,025
Net insurance claims	6	**(4,258,789)**	**(2,454,116)**
Acquisition costs	7	(394,962)	(219,862)
Expenses for marketing and administration	8	(3,139,397)	(2,268,468)
Impairment charge	9	(306,865)	(568,957)
Operating expenses		**(3,841,224)**	**(3,057,287)**
Total claims and expenses		**(8,100,013)**	**(5,511,403)**
Results of operating activities		**(367,165)**	**285,876**
Interest income, net	10	57,863	33,494
Other expenses, net		(50,769)	(55,886)
Changes in foreign exchange rates, net		408,646	28,678
Profit before tax		**48,575**	**292,162**
Income tax expense	11	(19,851)	(53,120)
Profit for the year		**28,724**	**239,042**
Revaluation of property, plant and equipment		-	306,165
Effect of income tax		-	(45,925)
Total comprehensive income for the year		**28,724**	**499,282**

These financial statements were approved by management on 13 April 2016 and were signed on its behalf by:

General director	______________________	V. Akhrakhadze
Financial Director	______________________	G. Mamatelashvili

Notes on pages 8-38 are the integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(In GEL)

	Note	31.12.2015	31.12.2014
Assets			
Property and Equipment	12	2,645,132	2,651,612
Intangible assets	13	125,609	40,175
Deferred acquisition costs	14	712,911	183,175
Reinsurance assets	15	39,260,955	33,726,444
Insurance and reinsurance receivables	16	20,943,298	7,134,917
Current income tax asset		-	47,832
Other current assets	17	167,390	310,366
Amount due from credit institutions	18	2,905,320	1,238,193
Cash and cash equivalents	19	2,187,977	5,430,491
Total assets		**68,948,592**	**50,763,205**
Equity			
Statutory Capital		1,577,000	1,577,000
Revaluation reserve		823,123	839,921
Retained earnings		559,874	674,352
Equity attributable to owners of the company		**2,959,997**	**3,091,273**
Liabilities			
Insurance contract liabilities	15	47,508,754	37,159,220
Other insurance liabilities	20	16,020,358	6,656,762
Deferred commission income	21	207,312	208,335
Deferred income tax liability	22	175,556	155,705
Current income tax liability		910	-
Borrowed funds	23	1,447,409	1,358,252
Other liabilities	24	628,296	2,133,658
Total liabilities		**65,988,595**	**47,671,932**
Total equity and liabilities		**68,948,592**	**50,763,205**

Notes on pages 8-38 are the integral part of these financial statements.

STATEMENT ON CHANGES IN EQUITY

For the year ended 31 December 2015

(In GEL)

	Statutory Capital	Retained earning	Revaluation reserve	Total
Balance at 31 December 2013	**1,577,000**	**442,415**	**591,576**	**2,610,991**
Dividend paid	-	(19,000)	-	**(19,000)**
Total comprehensive income for the year	-	239,042	260,240	**499,282**
Transfer of depreciation effect on revalued amount	-	11,895	(11,895)	**-**
Balance at 31 December 2014	**1,577,000**	**674,352**	**839,921**	**3,091,273**
Dividend paid	-	(160,000)	-	**(160,000)**
Total comprehensive income for the year	-	28,724	-	**28,724**
Transfer of depreciation effect on revalued amount	-	16,798	(16,798)	**-**
Balance at 31 December 2015	**1,577,000**	**559,874**	**823,123**	**2,959,997**

Notes on pages 8-38 are the integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

(In GEL)

	Note	2015	2014
Cash flows from operating activities			
Profit for the year before income tax		48,575	292,161
Adjustments for:			
Depreciation and amortization	8	136,209	101,164
Changes in unearned premium reserves	4	8,224,564	18,824,034
Change of reinsurer's share in unearned premium reserves	4	(3,697,285)	(18,850,526)
Changes in insurance claims reserves	6	2,124,970	168,034
Changes in insurance claims reserves reinsurer's share	6	(1,837,226)	(305,970)
Changes in deferred acquisition costs	14	(529,736)	51,564
Changes in deferred commission income	21	(1,023)	65,703
Receivables impairment charge	9	306,865	568,957
Interest income	10	(57,863)	(33,494)
Loss/(gain) from exchange rate difference		(408,646)	(28,640)
Cash flows from operating activities before changes in working capital		**4,309,404**	**852,987**
Increase/(decrease) in insurance and reinsurance receivables		(11,733,406)	796,812
Increase/(decrease) in other insurance liabilities		7,208,287	(183,292)
Decrease/(increase) in other current assets		54,549	(460,015)
Decrease/(increase) in other liabilities		(1,475,559)	1,884,331
Cash generated from operations		**(1,638,990)**	**2,890,823**
Increase/(decrease) in amount due from credit institutions		(1,655,104)	534,327
Interest received		176,588	142,323
Interest paid		(130,238)	(132,374)
Income tax paid		(49,000)	(26,900)
Net cash flows from operating activities carried forward		**(3,296,744)**	**3,408,199**
Investing activities			
Purchase of fixed and intangible assets		(215,163)	(232,841)
Net cash flows from investing activities		**(215,163)**	**(232,841)**
Financing activities			
Repayment of borrowed funds		(267,593)	(44,068)
Dividend paid		(160,000)	(19,000)
Net cash used in financing activities		**(427,593)**	**(63,068)**
Net decrease/(increase) in cash and cash equivalents		**(3,939,500)**	**3,112,290**
Cash and cash equivalents at the beginning of year	19	**5,430,491**	**2,266,801**
Effect of changes in foreign exchange rate on cash and cash equivalents		696,986	51,400
Cash and cash equivalents at the end of year	19	**2,187,977**	**5,430,491**

Notes on pages 8-38 are the integral part of these financial statements.

1. General information

JSC Insurance Company Unison (the "Company") was established in the beginning of 2011 year. The Company possesses insurance license issued by the National Bank of Georgia for non-life insurance products. In 2013 the Company obtained license for life insurance products.

Insurance Company Unison, offers complete non-life and life (except investment policies) insurance package for corporate and individual clients. It includes health, property, motor transport, travel, liability insurance and so on.

Head office of the Company is located in Tbilisi. The Company's legal address is 19 Gamrekeli St., Tbilisi, Georgia.

As at 31 December 2015 the Company was 100%-owned by JSC Absolute Holding. JSC Absolute Holding is 90% owned by the ultimate shareholder Vasil Akhrakhadze.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 *Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. The management and shareholders have the intention to further develop the business of the Company in Georgia. The management believes that the going concern assumption is appropriate for the Company.

The financial statements have been prepared under the historical cost bases, except for the measurement at fair value of revalued property and equipment – Building.

The reporting period for the Company is the calendar year from January 1 to December 31.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

2.2 *Adoption of new or revised standards and interpretations*

a) New standards, interpretations and amendments effective from 1 January 2015

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2015, have had a material effect on the financial statements.

b) New standards, interpretations and amendments not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015, and which the Company has not early adopted. This listing of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date, therefore intends to adopt those standards when they become effective:

IFRS 15 Revenue from Contracts with Customers.

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

2. Summary of significant accounting policies (continued)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company is currently assessing the possible impact of the new standard on its financial statements.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018)

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

2. Summary of significant accounting policies (continued)

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
- Derecognition requirements of financial assets and liabilities are transferred from IAS 39.

The Company is currently assessing the possible impact of the new standard on its financial statements.

Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.3 *Foreign currency translation*

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Financial statements are presented in Georgian lari, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Foreign exchange gains and losses that relate to monetary items are presented in the statement of comprehensive income within "Foreign exchange gains and losses".

At 31 December 2015 and 2014 the closing rate of exchange used for translating foreign currency balances was:

	Official rate of the National Bank of Georgia		
	EUR	**EUR**	**CHF**
Exchange rate as at 31.12.2015	2.3949	2.6169	2.4162
Exchange rate as at 31.12.2014	1.8636	2.2656	1.8834

2.4 *Insurance and investment contracts – classification*

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Contract Bonds issued by the Company are guaranteeing the performance of contractual obligations, contract Bonds can be:

- Advance Payment Bonds - Securing the proper use or repayment of the advance payments made to the Principal by the Beneficiary under or for the purposes of the contract, where such sum is advanced before the carrying out of works, the performance of services or the supply of provision of any goods pursuant to such contract. The bond usually decreases according to the progress of construction.
- Performance Bond - Protecting the Beneficiary against the financial loss if the Principal fails to fulfill the terms and conditions of the (underlying) written contract.
- Tender/Bid Bond: Used to pre-qualify contractors submitting proposals on potential contracts and serve to guarantee that the contractor, if awarded the construction project, will enter into a contract at the estimate submitted at the bid letting (as well be in the position to provide the required project bonds).

2. Summary of significant accounting policies (continued)

The Beneficiary is provided protection up to the amount of the bid, which is a percentage of the total contract, if the bidder fails to honor its commitment.

- Customs Bonds (Same as we call Financial Risks insurance policies) - Guaranteeing the proper declaration and timely payment of customs and excise duty, import duty or re-exportation to the Customs & Excise Authorities at due date (temporary importation, transit procedures etc.).

Contract bonds are accounted as insurance contracts.

2.5 *Deferred policy acquisition costs (DAC)*

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts as follows:

- For property and casualty DAC is amortised over the terms of the policies as premium is earned;
- For long-term insurance contracts with fixed and guaranteed terms, DAC is amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and
- For long-term insurance contracts without fixed terms DAC is amortised over the expected total life of the contract.

The pattern of expected profit margins is based on historical and anticipated future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is charged to revenue.

2.6 *Value of business acquired*

On acquisition of a portfolio of contracts, directly from another insurer the Company recognises an intangible asset representing the value of business acquired (VOBA). VOBA represents the present value of future profits embedded in acquired insurance contracts and investment contracts with DPF. The Company amortises VOBA over the effective life of the acquired contracts on the same basis as DAC (see above).

2.7 *Liability adequacy test*

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC and VOBA assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC or VOBA and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

2.8 *Reinsurance contracts held*

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

2. Summary of significant accounting policies (continued)

The Company assesses its reinsurance assets for impairment on a annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

2.9 *Receivables and payables related to insurance contracts and investment contracts*

These include amounts to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets.

(i) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.10 *Reserves for loss and loss adjustment expenses*

Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported but not settled insurance claims (RBNS) and reserves for incurred but not reported losses (IBNR).

(i) reported but not settled insurance claims (RBNS)

The Company forms reserve for reported but not settled involving known claims of insurers (re-insurers) at the reporting date confirmed by the relevant statements.

The amount of reserve for reported but not settled insurance claims at the reporting date are the amount of reserved unpaid insurance money under known claims of insurers, with respect to which the decision on complete or partial failure in premiums payment was not made.

The amount of reserve for reported but not settled insurance claims is reported in the Company’s balance sheet as liabilities.

(ii) reserves for incurred but not reported losses (IBNR)

IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported. The reserve for incurred but not reported insurance claims is formed by the Company at the end of reporting date.

The amount of reserve for incurred but not reported insurance claims is reflected in the Company's balance as liabilities.

2. Summary of significant accounting policies (continued)

2.11 *Financial instruments*

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

The Company's accounting policy for each category is as follows:

(a) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and loans granted, but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For the receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized in the statement of comprehensive income. On confirmation that the trade receivable and loan granted will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's loans and receivables comprise insurance and reinsurance receivables and cash and cash equivalents accounts.

Cash and cash equivalents includes cash on current accounts and cash on hand.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

(a) Those that the entity upon initial recognition designates as at fair value through profit or loss

(b) Those that the entity designates as available for sale; and

(c) Those that meet the definition of loans and receivables.

(c) Fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

(a) It is classified as held for trading. A financial asset is classified as held for trading if it is:

- (i) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- (ii) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (iii) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(b) Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only:

2. Summary of significant accounting policies (continued)

(i) If a contract contains one or more embedded derivatives. In this case an entity may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss unless:

- The embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
- It is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortized cost; or

(ii) When doing so results in more relevant information, because either:

- It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or recognizing the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

In current period the Company does not have financial assets at fair value through profit or loss.

(d) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

In current period the Company does not have available-for-sale financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions (see financial assets for detailed information):

(a) It is classified as held for trading

(b) Upon initial recognition it is designated by the entity as at fair value through profit or loss.

In current period the Company does not have financial liabilities at fair value through profit or loss.

(b) *Other financial liabilitie*s

Other financial liabilities include other insurance liabilities, received loans and trade payables which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

2. Summary of significant accounting policies (continued)

Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2.12 *Property and equipment*

Property and equipment, except for buildings, are stated at cost, less accumulated depreciation and provision for impairment, where required.

Following initial recognition, buildings are carried at revalued amount, being the fair value at the date of revaluation, less any accumulated depreciation. Revaluations are performed frequently enough to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting period.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case the increase is recognized in the statement of profit or loss to the extent of the decrease previously charged.

Depreciation on revalued buildings is charged to the statement of profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or devalued amounts to their residual values over their estimated useful lives.

Depreciation is calculated on a straight line basis at the following useful lives:

Group	Useful life (year)
Buildings	50
Furniture and fixtures	5
Office equipment	5
Computers	5
Other	4-5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net in the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

2.13 *Intangible Assets*

Computer software development costs are recognized at cost.

Amortization is calculated using the straight-line method to allocate their cost or devalued amounts to their residual values over their estimated useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Computer software development costs recognised as assets are amortised over their useful lives. Amortization is calculated on a straight line basis during 7 years.

2.14 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rate (and laws) that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity where there is an intention to settle the balances on a net basis.

2.15 *Financial and operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3. Critical accounting estimates and judgements

Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under general insurance contracts is the Company’s most significant accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position insurance liability. General insurance claims provisions are not discounted for the time value of money.

b) Deferred policy acquisition costs (DAC) and value of business acquired (VOBA)

The amount of acquisition costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the acquisition. For long-term insurance contracts without fixed terms and investment contracts with DAC and VOBA on these contracts are amortised over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts in accordance with the accounting policy stated in Note 2.5 In current period company doesn’t have any long term insurance contracts.

c) Useful lives of property, equipment and intangible assets

Property, equipment and intangible assets are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness.

Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

d) Income tax

Company is subject to income tax and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities.

e) Impairment of insurance and reinsurance receivables

The Company assesses insurance and reinsurance receivables for impairment. The primary factors that the company considers whether a financial asset is impaired is its overdue status and deterioration of debtor's credit rating.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of joint evaluation of financial assets not being material individually.

4. Net earned premium

Net earned premium by insurance type for the year ended 31 December 2015 can be presented as follows:

	Gross written premium	Reinsurer's share in gross written premium	Net written premium	Net changes in unearned premium	Net insurance revenue
Property	18,596,049	(14,823,470)	3,772,579	(1,871,967)	1,900,612
Marine Transport Means (Hull)	147,610	(28,503)	119,107	(10,498)	108,609
Marine Third Party Liability	10,418	(5,209)	5,209	(1,664)	3,545
Other third Party Liability	805,349	(261,969)	543,380	(220,328)	323,052
Aviation Transport Means (Hull)	136,638	(73,785)	62,853	14,860	77,713
Aviation Third Party Liability	47,529	(30,330)	17,199	3,185	20,384
Road Transport Means	2,696,669	(14,660)	2,682,009	(1,205,275)	1,474,469
Medical (Health)	3,228,268	-	3,228,268	(921,794)	2,306,474
Suretyships	741,873	(510,476)	231,397	(14,317)	217,080
Cargo	394,894	(99,680)	295,214	(14,211)	281,003
Financial Risks	103,084	(22,294)	80,790	(14,555)	66,235
Motor Third Party Liability	362,067	(21,881)	340,186	(79,119)	261,067
Personal Accident	235,210	(2,380)	232,830	(92,418)	140,412
Travel	25,041	-	25,041	(1,536)	23,505
Life insurance	184,568	-	184,568	(97,642)	86,926
Total	**27,715,267**	**(15,894,637)**	**11,820,630**	**(4,527,279)**	**7,291,086**

Net earned premium by insurance type for the year ended 31 December 2014 can be presented as follows:

	Gross written premium	Reinsurer's share in gross written premium	Net written premium	Net changes in unearned premium	Net insurance revenue
Property	40,893,779	(39,852,934)	1,040,845	(99,258)	941,587
Marine Transport Means (Hull)	134,972	(39,253)	95,719	(49,000)	46,719
Marine Third Party Liability	6,039	(3,019)	3,020	(2,515)	505
Other third Party Liability	1,438,043	(1,060,931)	377,112	15,310	392,422
Aviation Transport Means (Hull)	151,347	(54,485)	96,862	(38,540)	58,322
Aviation Third Party Liability	926,493	(908,917)	17,576	(3,410)	14,166
Road Transport Means	402,444	(9,120)	393,324	450,225	843,549
Medical (Health)	2,570,315	-	2,570,315	(297,735)	2,272,580
Suretyships	617,024	(541,477)	75,547	25,768	101,315
Cargo	727,746	(516,254)	211,492	14,439	225,931
Financial Risks	256,445	(197,397)	59,048	34,127	93,175
Motor Third Party Liability	214,828	(15,238)	199,590	(14,979)	184,611
Personal Accident	77,496	(52)	77,444	7,554	84,998
Travel	24,836	-	24,836	354	25,190
Life insurance	88,257	-	88,257	(15,848)	72,409
Total	**48,530,064**	**(43,199,077)**	**5,330,987**	**26,492**	**5,357,479**

5. Commision income

Commission income for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Commission Income	438,474	505,503
Commission Income deferred	(438,474)	(357,471)
Amortization	439,497	291,768
Total	**439,497**	**439,800**

Commission income according to line of businesses (LOBs) can be presented as follows:

	2015	2014
Property	163,496	203,547
Suretyships	125,478	163,610
Third Party Liability	61,477	16,180
Cargo	40,433	28,444
Aviation Third Party Liability	18,178	19,652
Marine Transport Means (Hull)	11,233	1,968
Motor Third Party Liability	5,419	2,728
Aviation Transport Means (Hull)	4,671	471
Personal Accident	2,688	-
Miscellaneous Financial Loss	5,407	3,049
Marine Third Party Liability	1,017	151
Total	**439,497**	**439,800**

6. Net insurance claims

Net insurance claims for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Insurance claims paid	(4,608,149)	(4,096,351)
Gross Change in outstanding claims	(2,124,970)	(556,952)
Subrogation and recovery	155,600	495,162
Insurance claims and loss adjustment expenses	**(6,577,519)**	**(4,158,141)**
Reinsurer's share of general insurance claims paid	481,504	1,041,219
Reinsurer's share of change in outstanding claims	1,837,226	662,806
Insurance claims and loss adjustment expenses recovered from reinsurers	**2,318,730**	**1,704,025**
Net insurance claims incurred	**(4,258,789)**	**(2,454,116)**

7. Acquisition costs

Acquisition costs for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Acquisition Costs	(1,202,076)	(500,666)
Cancellation	277,378	332,368
Acquisition costs deferred (Note 15)	1,202,076	500,666
Amortization of deferred acquisition cost (Note 15)	(672,340)	(552,230)
Total	**(394,962)**	**(219,862)**

	2015	2014
Property	(277,277)	(259,664)
Cargo	(124,319)	(116,382)
Road Transport Means	(111,884)	(21,856)
Medical (Health)	(44,974)	(20,991)
Third Party Liability	(30,693)	(68,239)
Suretyships	(26,075)	(25,406)
Motor Third Party Liability	(20,765)	(16,173)
Marine Transport Means (Hull)	(11,294)	(2,093)
Miscellaneous Financial Loss	(9,049)	(7,226)
Travel	(5,711)	(7,776)
Aviation Third Party Liability	(4,882)	(5,029)
Personal Accident	(2,835)	(1,273)
Life insurance	(1,740)	-
Marine Third Party Liability	(842)	(122)
Cancellation of polices	277,378	332,368
Total	**(394,962)**	**(219,862)**

8. Expenses for marketing and administration

Expenses for marketing and administration for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Salary Expenses	(1,840,102)	(1,262,697)
Advertising and marketing expenses	(499,321)	(443,662)
Depreciation and amortization	(136,209)	(102,569)
Communication and utility expenses	(87,945)	(92,344)
Rent	(65,097)	(40,516)
Consulting services	(65,967)	(34,410)
Office maintenance	(66,399)	(56,107)
Business trips and representative expenses	(46,623)	(40,456)
Bank Fees	(36,000)	(20,680)
Tax expenses other than income tax	(39,564)	(24,368)
Computer & Printing Service Costs	(23,743)	(21,752)
Stationery costs	(21,063)	(11,630)
Fuel costs	(19,741)	(1,249)
Insurance	(12,954)	(4,140)
Other	(178,669)	(111,888)
Total	**(3,139,397)**	**(2,268,468)**

9. Impairment charge

Insurance and other receivable Impairment charge for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	**2014**
Changes in allowances for Insurance receivables	(201,422)	(275,998)
Changes in allowances for receivables from salvage and subrogation reimbursements	(61,108)	(284,354)
Changes in allowances for Other receivables	(44,335)	-
Bad debt expense	-	(8,605)
Total	**(306,865)**	**(568,957)**

Reconciliation of impairment provision can be presented as follows:

1 January (Note 16, 17)	**(977,329)**	**(416,977)**
Insurance receivables' general allowance charge	(142,670)	(37,593)
Insurance receivables' specific allowance charge	(58,752)	(238,405)
Allowance charge for receivables from salvage and subrogation reimbursements	(61,108)	(284,354)
Other receivables' general allowance charge	(44,335)	-
Bad debt expense	46,110	-
31 December (Note 16, 17)	**(1,238,084)**	**(977,329)**

10. Intereset income, net

Interest income for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	**2014**
Interest income comprises:		
Interest income from current accounts	51,217	48,910
Interest income from deposits	137,394	116,760
Interest income from issued loans	-	39
Total	**188,611**	**165,709**
Interest expense comprises:		
Borrowed funds	(130,748)	(132,215)
Net interest income	**57,863**	**33,494**

11. Income tax expense

Income tax expense for the years ended 31 December 2015 and 2014 can be presented as follows:

	2015	2014
Current tax	-	-
Effect of temporary differences	(19,851)	(53,120)
Total	**(19,851)**	**(53,120)**

	2015	2014
Profit before income tax	**48,275**	**292,162**
Applicable tax rate	15%	15%
Theoretical income tax	(7,241)	(43,824)
Effect of permanent differences	(12,610)	(9,296)
Total	**(19,851)**	**(53,120)**

12. Property and equipment

Property and equipment as at 31 December 2015 and 2015 can be presented as follows:

Historical cost	Buildings	Furniture & fixtures	Office equipment	Computer equipment	Other	Total
Historical cost 31.12.2013	**2,118,286**	**42,233**	**21,350**	**94,316**	**18,806**	**2,294,991**
Additions	107,757	31,097	25,604	25,513	26,052	**216,023**
Revaluation Surplus	261,863	-	-	-	-	**261,863**
Disposals	-	-	-	-	(1,675)	**(1,675)**
Historical cost 31.12.2014	**2,487,906**	**73,330**	**46,954**	**119,829**	**43,183**	**2,771,202**
Additions	2,500	10,578	13,001	49,137	43,089	**118,305**
Disposals	-	-	(1,727)	(270)	-	**(1,997)**
Historical cost 31.12.2015	**2,490,406**	**83,908**	**58,228**	**168,696**	**86,272**	**2,887,510**
Accumulated depreciation						
Accumulated depreciation 31.12.2013	**-**	**(19,589)**	**(8,741)**	**(37,183)**	**(7,800)**	**(73,313)**
Depreciation charge for the year	-	(13,309)	(8,330)	(21,646)	(4,397)	**(47,682)**
Accumulated depreciation of disposals	-	-	-	-	1,405	**1,405**
Accumulated depreciation 31.12.2014	**-**	**(32,898)**	**(17,071)**	**(58,829)**	**(10,792)**	**(119,590)**
Depreciation charge for the year	(54,838)	(16,160)	(11,096)	(29,799)	(12,257)	**(124,150)**
Accumulated depreciation of disposals	-	-	1,191	171	-	**1,362**
Accumulated depreciation 31.12.2015	**(54,838)**	**(49,058)**	**(26,976)**	**(88,457)**	**(23,049)**	**(242,378)**
Net book value						
Net book value 31.12.2014	**2,487,906**	**40,432**	**29,883**	**61,000**	**32,391**	**2,651,612**
Net book value 31.12.2014	**2,435,568**	**34,850**	**31,252**	**80,239**	**63,223**	**2,645,132**

The carrying value of building without revaluation model as at 31 December 2015 amounts to GEL1,393,868.

13. Intangible assets

Intangible assets as at 31 December 2015 and 2014 can be presented as follows:

Historical cost	Software	Other intangible assets	Total
Balance at 31 December 2013	**29,566**	**36,630**	**66,196**
Additions	100	9,127	**9,227**
Disposals	-	(458)	**(458)**
Balance at 31 December 2014	**29,666**	**45,299**	**74,965**
Additions	93,815	3,678	**97,493**
Disposals	-	-	-
Balance at 31 December 2015	**123,481**	**48,977**	**172,458**
Accumulated amortization			
Balance at 31 December 2013	**(11,068)**	**(13,061)**	**(24,129)**
Amortization charge for the year	(4,450)	(6,211)	**(10,661)**
Disposals	-	-	-
Balance at 31 December 2014	**(15,518)**	**(19,272)**	**(34,790)**
Amortization charge for the year	(5,406)	(6,653)	**(12,059)**
Disposals	-	-	-
Balance at 31 December 2015	**(20,924)**	**(25,925)**	**(46,849)**
Net book value			
Balance at 31 December 2014	**14,148**	**26,027**	**40,175**
Balance at 31 December 2015	**102,557**	**23,052**	**125,609**

14. Deffered acquisition costs

Deffered acquisition costs as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015	31.12.2014
At 1 January	**183,175**	**234,739**
Expenses deferred (note 7)	1,202,076	500,666
Amortization (note 7)	(672,340)	(552,230)
At 31 December	**712,911**	**183,175**

15. Insurance contract liabilities and reinsurance assets

Insurance contract liabilities and reinsurance assets as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015	31.12.2014
Insurance contract liabilities		
Unearned premium provision	44,316,061	36,091,497
Provisions for claims reported by policyholders	2,712,859	948,494
Provisions for claims incurred but not reported	479,834	119,229
Total	**47,508,754**	**37,159,220**
Reinsurance assets		
Reinsurers' share in unearned premium provision	37,244,151	33,546,866
Reinsurers' share in provisions for claims reported by policyholders	1,826,205	138,979
Reinsurers' share in provisions for claims incurred but not reported	190,599	40,599
Total	**39,260,955**	**33,726,444**
Insurance contract liabilities net of reinsurance		
Unearned premium provision	7,071,910	2,544,631
Provisions for claims reported by policyholders	886,654	809,515
Provisions for claims incurred but not reported	289,235	78,630
Total	**8,247,799**	**3,432,776**

Analysis of movements in insurance contract provisions can be presented as follows:

a) Analyses of movement in provision for unearned premium:

***Provision for unearned premium*, gross**	31.12.2015	31.12.2014
Balance at 1 January	**36,091,497**	**15,790,352**
Gross premium Written	29,800,599	51,981,007
Cancelled premiums	(2,085,332)	(3,450,942)
Gross earned premium	(27,262,586)	(29,706,030)
Revaluation of UPR	7,771,883	1,477,110
Balance at 31 December	**44,316,061**	**36,091,497**

Provision for unearned premium - reinsurer's share	31.12.2015	31.12.2014
Balance at 1 January	**33,546,866**	**13,187,146**
Reinsurer's share of gross written premium	16,012,545	46,377,096
Cancelled premiums	(117,908)	(3,178,019)
Gross reinsurer's earned premium	(19,819,214)	(24,348,551)
Revaluation of UPR	7,621,862	1,509,194
Balance at 31 December	**37,244,151**	**33,546,866**

Provision for unearned premium - (net of reinsurance)	31.12.2015	31.12.2014
Balance at 1 January	**2,544,631**	**2,603,206**
Reinsurer's share of gross written premium	13,788,054	5,603,911
Cancelled premiums	(1,967,424)	(272,923)
Gross reinsurer's earned premium	(7,443,372))	(5,357,479)
Revaluation of UPR	150,021	(32,084)
Balance at 31 December	**7,071,910**	**2,544,631**

15. Insurance contract liabilities and reinsurance assets (continued)

b) Provision for claims

Provision for claims - Gross	**31.12.2015**	**31.12.2014**
Balance of incurred but not reported at 1 January	119,229	1,210,969
Balance of notified claims provision at 1 January	948,494	1,165,831
Total provisions of claims at 1 January	**1,067,723**	**2,376,800**
Payments in respect of prior year claims	(569,864)	(303,453)
Change in estimates in respect of prior year claims	(461,174)	(1,981,902)
Expected cost of current year claims	7,194,293	4,707,359
Payments in respect of current year claims	(4,038,285)	(3,731,081)
Total provisions of claims at 31 December	**3,192,693**	**1,067,723**
Balance of claims incurred but not reported at 31 December	479,834	119,229
Balance of notified claims provisions at 31 December	2,712,859	948,494

Provision for claims - reinsurer's share:	**31.12.2015**	**31.12.2014**
Balance of incurred but not reported at 1 January	40,599	973,613
Balance of notified claims provision at 1 January	138,979	409,189
Total balance of claims provisions at 1 January	**179,578**	**1,382,802**
Payments in respect of prior year claims	(39,098)	(3,102)
Change in estimates in respect of prior year claims	(137,510)	(1,331,554)
Expected cost of current year claims	2,456,240	1,169,549
Payments in respect of current year claims	(442,406)	(1,038,117)
Total claims provisions at 31 December	**2,016,804**	**179,578**
Balance of notified claims provision at 31 December	190,599	40,599
Balance of incurred but not reported at 31 December	1,826,205	138,979

Provision for claims - (net of reinsurance)	**31.12.2015**	**31.12.2014**
Balance of incurred but not reported at 1 January	78,630	237,356
Balance of notified claims provision at 1 January	809,515	756,642
Total balance of claims provisions at 1 January	**888,145**	**993,998**
Payments in respect of prior year claims	(530,766)	(300,351)
Change in estimates in respect of prior year claims	(323,664)	(650,348)
Expected cost of current year claims	4,738,053	3,537,810
Payments in respect of current year claims	(3,595,879)	(2,692,964)
Total claims provisions at 31 December	**1,175,889**	**888,145**
Balance of incurred but not reported at 31 December	289,235	78,630
Balance of notified claims provision at 1 December	886,654	809,515

Insurance contract liabilities and reinsurance assets – terms, assumptions and sensitivities

Insurance contracts

(1) Terms and conditions

The major classes of insurance written by the Company include Life, Property, Marine Transport Means (Hull), Cargo, Third Party Liability, Marine Third Party Liability, Suretyships, Travel, Road Transport Means, Personal Accident, Motor Third Party Liability, Miscellaneous Financial Loss, Medical (Health).

15. Insurance contract liabilities and reinsurance assets (continued)

Risks under these policies usually cover twelve month duration.

For insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilitiesin respect of claims that have occurred and are estimated based on known facts at the reporting date. The provisions are refined consistently as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

(2) Assumptions

For the calculation of the IBNR reserve including the liability adequacy test we refer to note 2 – Summary of accounting policies, Insurance Contract Liabilities

16. Insurance and reinsurance receivables

Insurance and reinsurance receivables as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015	**31.12.2014**
Due from policyholders	20,224,498	6,798,952
Due from reinsurers	1,511,569	973,422
Total before impairment	**21,736,067**	**7,772,374**
Less-Allowances for impairment	(792,769)	(637,457)
Total	**20,943,298**	**7,134,917**

The Company creates provision for its overdue accounts receivables. The policy applied for calculation of impairment provision is disclosed in Note 25.

17. Other assets

Other assets as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015	**31.12.2014**
Receivables from regression	428,495	392,301
Prepayments	46,940	125,205
Subrogation assets	56,070	69,440
Other receivables	77,423	50,354
Other inventory	3,777	12,938
Total before impairment	**612,705**	**650,238**
Less-Allowances for impairment of subrogation assets	(400,981)	(339,872)
Less-Allowances for impairment of other receivables	(44,334)	-
Total	**167,390**	**310,366**

18. Amounts due from credit institutions

Amounts due from credit institutions as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015	**31.12.2014**
Principal	2,864,008	1,201,360
Accrued interest	41,312	36,833
Total	**2,905,320**	**1,238,193**

18. Amounts due from credit institutions (continued)

Amounts due from credit institutions are represented by placements in Georgian Banks for more than 3 months.

The Georgian State Insurance Supervisory Agency (GSISA) established minimum level of deposits (minimum reserve) and cash on bank accounts dependent on the estimated insurance claims.

Additional information about amounts due from credit institutions is disclosed in Note 25.

19. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015	31.12.2014
Petty cash	1,773,104	2,730,290
Cash on current accounts with banks in Georgian Lari	396,703	2,688,669
Cash on current accounts with banks in other currencies	18,170	11,532
Total	**2,187,977**	**5,430,491**

Additional information about cash and cash equivalents is disclosed in Note 25.

20. Other insurance liabilities

Other insurance liabilities as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015	31.12.2014
Reinsurance Payable	15,163,775	6,260,128
Commission Payable	856,583	396,634
Total	**16,020,358**	**6,656,762**

21. Deffered commission income

Deferred commission income as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015	31.12.2014
As at 1 January	**208,335**	**142,632**
Income deferred (note 5)	438,474	357,471
amortization (note 5)	(439,497)	(291,768)
At 31 December	**207,312**	**208,335**

Deferred commission income according to line of businesses (LOB):

	31.12.2015	31.12.2014
Property	95,403	98,332
Liability	54,161	47,898
Third Party Liability	17,822	16,271
Cargo	13,311	25,301
Aviation Third Party Liability	4,641	6,812
Marine Transport Means (Hull)	8,442	9,808
Motor Third Party Liability	4,573	2,117
Aviation Transport Means (Hull)	2,573	-
Personal accident	1,728	-
Guarantees	4,658	1,041
Marine Third Party Liability	-	755
Total	**207,312**	**208,335**

22. Deffered income tax liability

The tax effects of the movements in temporary differences recorded at the rate of 15% are as follows:

	2015	2014
At 1 January	**(155,705)**	**(56,660)**
Recognised in profit and loss		
Income tax expense	(19,851)	(53,120)
Recognised in other comprehensive income		
Income tax expense on revaluation	-	(45,925)
At 31 December	**(175,556)**	**(155,705)**

The tax effects of the movements in temporary differences recorded at the rate of 15% are as follows:

	Asset 31.12.2015	Liability 31.12.2015	Net 31.12.2015	(Charged)/ credited to profit or loss 31.12.2015	(Charged)/ credited to equity 31.12.2015
Property, equipment and intangible assets	-	(398,572)	(398,572)	(1,585)	-
Insurance and reinsurance receivables	118,915	-	118,915	23,296	-
Subrogation and other receivables	66,797	-	66,797	(14,867)	-
Insurance contracts liabilities		(31,499)	(31,499)	15,816	
Tax loss carry-forwards	68,803	-	68,803	(42,511)	-
Tax asset/(liabilities)	**254,515**	**(430,071)**	**(175,556)**	**(19,851)**	**-**
Set off of tax	(254,515)	254,515	-	-	
Net tax assets/(liabilities)	**-**	**(175,556)**	**(175,556)**	**(19,851)**	**-**

	Asset 31.12.2014	Liability 31.12.2014	Net 31.12.2014	(Charged)/ credited to profit or loss 31.12.2014	(Charged)/ credited to equity 31.12.2014
Property, equipment and intangible assets	-	(396,987)	(396,987)	(231,855)	(45,925)
Insurance and reinsurance receivables	95,619	-	95,619	41,400	-
Insurance contracts liabilities	-	(16,633)	(16,633)	(16,633)	-
Subrogation receivables	50,981	-	50,981	42,653	-
Tax loss carry-forwards	111,315	-	111,315	111,315	-
Tax asset/(liabilities)	**257,915**	**(413,620)**	**(155,705)**	**(53,120)**	**(45,925)**
Set off of tax	(257,915)	257,915	-	-	-
Net tax assets/(liabilities)	**-**	**(155,705)**	**(155,705)**	**(53,120)**	**(45,925)**

23. Borrowed funds

Borrowed funds as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015		31.12.2014	
	Current	**Non-current**	**Current**	**Non-current**
Principal	62,426	1,378,112	47,873	1,303,298
Accrued interest	6,871	-	7,081	-
Total	**69,297**	**1,378,112**	**54,954**	**1,303,298**

In 2013 the Company received loan from JSC Bazisbank in the amount of USD750,000. Annual interest rate of loan is 8.5%. Additional information on borrowed funds is disclosed in Note 25.

24. Other liabilities

Other liabilities as at 31 December 2015 and 2014 can be presented as follows:

	31.12.2015	**31.12.2014**
Financial liabilities		
Deposited bank guarantee	391,718	1,852,637
Accounts payables	105,199	51,730
Salaries and bonuses payable	2,632	32,146
Non-financial liabilities		
Received advances	97,416	27,586
Taxes payable	31,331	169,559
Total	**628,296**	**2,133,658**

25. Risk management

The activities of the Company are exposed to various risks. Risk management therefore is a critical component of its insurance activities. Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls. Each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The main financial risks inherent to the Company's operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Company's risk management policies in relation to those risks follows.

25.1. Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its owners.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

The operations of the Company are also subject to local regulatory requirements within the jurisdiction where it operates.

Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions e.g. Capital adequacy to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise. The Company's capital management policy for its insurance and non-insurance business is to hold sufficient liquid assets to cover statutory requirements based on the National Bank of Georgia directives.

Approach to capital management

The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated manner, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company.

25.2. Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that actual claims and benefit payments exceed the carrying amount of insurance liabilities.

This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long term claims. The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The Company establishes underwriting guidelines and limits, which stipulate who may accept what risks and the applicable limits. These limits are continuously monitored.

25. Risk management (continued)

The Company primarily uses the "loss ratio" to monitor its insurance risk. The loss ratio is defined as net insurance claims divided by net insurance revenue. The Company's loss ratios calculated on a net basis were as follows:

	2015	**2014**
Loss Ratio	58%	46%

The Company principally issues the following types of general insurance contracts: property, motor third party liability, personal accident, road transport means, travel, cargo, suretyships, medical (health), third party liability, miscellaneous financial loss, marine third party liability, marine transport means (hull). Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts the most significant risks arise from climate changes and natural disasters. For healthcare contracts the most significant risks arise from lifestyle changes, epidemic and so on. These risks vary significantly in relation to the location, type and industry of the risk insured. Undue concentration by amounts can have a further impact on the severity of benefit payments on a portfolio basis.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, for example hurricanes, earthquakes and flood damages.

The table below sets out the concentration of general insurance contract liabilities by type of contract:

2015	**Gross insurance contract Liability**	**Reinsurer's Share**	**Net insurance contract liability**
Healthcare	2,474,912	-	2,474,912
Property	40,550,129	37,957,126	2,593,003
Road Transport Means	1,957,944	7,862	1,950,082
Third Party Liability	1,016,053	589,283	426,770
Motor Third Party Liability	222,995	14,728	208,267
Liability	75,442	28,211	47,231
Marine Transport Means (Hull)	88,390	23,771	64,619
Personal Accident	142,128	-	142,128
Aviation Transport Means (Hull)	58,837	33,012	25,825
Guarantees	625,173	375,103	250,070
Cargo	261,978	208,473	53,505
Aviation Third Party Liability	22,129	18,929	3,200
Travel	3,940	-	3,940
Marine Third Party Liability	8,704	4,457	4,247
Total	**47,508,754**	**39,260,955**	**8,247,799**

25. Risk management (continued)

2014	Gross insurance contract Liability	Reinsurer's Share	Net insurance contract liability
Healthcare	1,675,605	-	1,675,605
Property	32,238,720	31,702,071	536,649
Road Transport Means	478,034	7,659	470,375
Third Party Liability	1,035,231	793,959	241,272
Motor Third Party Liability	158,757	9,203	149,554
Liability	357,307	214,384	142,923
Marine Transport Means (Hull)	88,902	34,731	54,171
Personal Accident	48,030	30	48,000
Aviation Transport Means (Hull)	63,571	22,887	40,684
Guarantees	141,770	109,095	32,675
Cargo	368,020	339,117	28,903
Aviation Third Party Liability	497,022	490,636	6,386
Travel	2,908	-	2,908
Marine Third Party Liability	5,343	2,672	2,671
Total	**37,159,220**	**33,726,444**	**3,432,776**

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the insured sector and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims reserve, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a reserve for IBNR and a reserve for reported claims not yet settled.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims.

The table below represents the analysis of the Company’s insurance claims on the basis of both the total and net cost value of claims.

25. Risk management (continued)

Possible estimation of total claims is as follows:

a) Before the effect of reinsurance, the loss development table is:	**2012**	**2013**	**2014**	**2015**
Accident year	3,986,232	2,906,796	4,707,359	7,194,293
One year later	1,414,457	1,384,349	4,336,237	-
Two year later	956,138	1,294,297	-	-
Current estimate of cumulative claims incurred	**956,138**	**1,294,297**	**4,336,237**	**7,194,293**
Accident year	(703,733)	(989,451)	(3,731,081)	(4,038,285)
One year later	(955,062)	(1,292,904)	(4,300,795)	
Two year later	(956,138)	(1,293,054)	-	
Cumulative payments to date	**(956,138)**	**(1,293,054)**	**(4,300,795)**	**(4,038,285)**
Gross outstanding claims provision per the statement of financial position	**-**	**1,243**	**35,442**	**3,156,008**
Current estimation of surplus/(deficiency)	**-**	**90,052**	**371,122**	

b) Reinsurer's share in the loss development is:	**2012**	**2013**	**2014**	**2015**
Accident year	(2,660,990)	(1,011,835)	(1,169,549)	(2,456,240)
One year later	(633,535)	(75,232)	(1,080,185)	-
Two year later	(238,583)	(27,443)	-	-
Current estimate of reinsurers share in cumulative claims incurred	**(238,583)**	**(27,443)**	**(1,080,185)**	**(2,456,240)**
Accident year	32,852	24,341	1,038,117	442,406
One year later	238,226	27,800	1,077,215	
Two year later	238,226	27,800		
Reinsurer's share in cumulative payments to date	**238,226**	**27,800**	**1,077,215**	**442,406**
Reinsurer's share in outstanding claims provision per the statement of financial position	**(357)**	**357**	**(2,970)**	**(2,013,834)**
Current estimation of surplus/(deficiency)	**(357)**	**(47,789)**	**(89,364)**	**-**

c) After the effect of reinsurance, the loss development table is:	**2012**	**2013**	**2014**	**2015**
Accident year	1,325,242	1,894,961	3,537,810	4,738,053
One year later	780,922	1,309,117	3,256,052	-
Two year later	717,555	1,266,854	-	-
Current estimate of net cumulative claims incurred	**717,555**	**1,266,854**	**3,256,052**	**4,738,053**
Accident year	(670,881)	(965,110)	(2,692,964)	(3,595,879)
One year later	(716,836)	(1,265,104)	(3,223,580)	-
Two year later	(717,912)	(1,265,254)	-	-
Net cumulative payments to date	**(717,912)**	**(1,265,254)**	**(3,223,580)**	**(3,595,879)**
Net outstanding claims provision per the statement of financial position	**(357)**	**1,600**	**32,472**	**1,142,174**
Current estimation of surplus/(deficiency)	**(357)**	**42,263**	**281,758**	

25. Risk management (continued)

As can be seen from the claims development table above, the company has prudential estimation of outstanding insurance liabilities.

At the end of each reporting period the Company assess whether its recognized insurance liabilities are adequate: the Company determines whether the amount of recognized insurance liabilities is less than the carrying amount that would be required if the relevant insurance liabilities were within the scope of IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets". If it is less, the insurer will recognize the entire difference in profit or loss and increase the carrying amount of the relevant insurance liabilities.

25.3. Financial Risk

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Currency risk

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

	31.12.2015	31.12.2014
Insurance and reinsurance receivables	20,943,298	7,134,917
Amount due from credit institutions	2,905,320	1,238,193
Cash and cash equivalents	2,187,977	5,430,491
Total financial assets	**26,036,595**	**13,803,601**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company's Management has established a credit policy under which each customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references.

In monitoring customer credit risk, customers are grouped according to their overdue status, including whether they are an individual or legal entity, geographic location, industry, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the management, and future sales are made necessary on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on ageing analysis and overdue status for each customers individually.

25. Risk management (continued)

Aging of trade receivables

The aging of insurance receivables as at 31 December 2015 was:

	Amount	Provision	Insurance and reinsurance receivables net of impairment
Receivables individually determined to be impaired	5,177,942	(384,015)	4,793,927

Receivables collectively determined to be Impaired:

	Amount	Provision	Insurance and reinsurance receivables net of impairment
Not past due	14,467,693	-	14,467,693
Past due 0-30 days	66,740	(3,337)	63,403
Past due 30-60 days	34,020	(3,402)	30,618
Past due 60-90 days	17,909	(2,686)	15,223
Past due 90-120 days	28,619	(7,155)	21,464
Past due 120-240 days	69,286	(41,571)	27,715
Past due 240-360 days	38,952	(27,266)	11,686
Past due more than 360 days	323,337	(323,337)	-
Receivables collectively determined to be impaired	**15,046,556**	**(408,754)**	**14,637,802**

The aging of insurance receivables as at 31 December 2014 was:

	Amount	Provision	Insurance and reinsurance receivables net of impairment
Receivables individually determined to be impaired	4,803,379	(396,114)	4,407,265

Receivables collectively determined to be impaired:

	Amount	Provision	Insurance and reinsurance receivables net of impairment
Not past due	1,559,928	-	1,559,928
Past due 0-30 days	83,959	(4,198)	79,761
Past due 30-60 days	52,268	(5,227)	47,041
Past due 60-90 days	12,634	(1,895)	10,739
Past due 90-120 days	10,058	(2,514)	7,544
Past due 120-240 days	49,073	(29,444)	19,629
Past due 240-360 days	66,690	(46,683)	20,007
Past due more than 360 days	168,202	(151,382)	16,820
Receivables collectively determined to be impaired	**2,002,812**	**(241,343)**	**1,761,469**

25. Risk management (continued)

Liquidity Risk

Liquidity risk refers to the availability of sufficient funds to meet loan repayments and other financial commitments associated with financial instruments as they actually fall due.

The management controls these types of risks by means of maturity analysis, determining the Company's strategy for the next financial period.

In order to manage liquidity risk, the Company performs regular monitoring of future expected cash flows, which is a part of assets/liabilities management process.

An analysis of the liquidity is presented in the following table:

2015	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets						
Amount due from credit institutions	-	480,088	2,245,552	179,680	-	**2,905,320**
Cash and cash equivalents	2,187,977					**2,187,977**
Insurance and reinsurance receivables	1,760,955	47,511	6,845,174	12,276,264	13,394	**20,943,298**
Total	**3,948,932**	**527,599**	**9,090,726**	**12,455,944**	**13,394**	**26,036,595**
Financial liabilities						
Interest bearing financial liabilities	6,871	22,525	46,773	160,394	1,210,846	**1,447,409**
Other insurance liabilities	1,347,427	36,343	5,236,001	9,390,342	10,245	**16,020,358**
Other financial liabilities	499,549	-	-	-	-	**499,549**
Total financial liabilities	**1,853,847**	**58,868**	**5,282,774**	**9,550,736**	**1,221,091**	**17,967,316**
Liquidity gap	**2,095,085**	**468,731**	**3,807,952**	**2,905,208**	**(1,207,697)**	
Cumulative liquidity gap	**2,095,085**	**2,563,816**	**6,371,768**	**9,276,976**	**8,069,279**	

2014	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets						
Amount due from credit institutions	-	-	1,238,193	-	-	**1,238,193**
Cash and cash equivalents	5,430,491	-	-	-	-	**5,430,491**
Insurance and reinsurance receivables	1,044,696	2,030,222	4,059,999	-	-	**7,134,917**
Total	**6,475,187**	**2,030,222**	**5,298,192**	**-**	**-**	**13,803,601**
Financial liabilities						
Interest bearing financial liabilities	7,080	9,865	41,271	273,443	1,026,593	**1,358,252**
Other insurance liabilities	974,685	1,894,164	3,787,913	-	-	**6,656,762**
Other financial liabilities	1,936,513	-	-	-	-	**1,936,513**
Total financial liabilities	**2,918,278**	**1,904,029**	**3,829,184**	**273,443**	**1,026,593**	**9,951,527**
Liquidity gap	**3,556,909**	**126,193**	**1,469,008**	**(273,443)**	**(1,026,593)**	
Cumulative liquidity gap	**3,556,909**	**3,683,102**	**5,152,110**	**4,878,667**	**3,852,074**	

25. Risk management (continued)

Market Risk

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors.

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk).

Interest Rate Risk

The interest rate risk is the risk (with variable value) related to the interest-bearing assets – loans, because of the variable rate. In current period the Company does not have any borrowings with variable interest rate.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to foreign currency exchange rate risk is presented in the table below:

2015	USD USD 1 = 2.3949 GEL	EUR EUR 1 = 2.6169 GEL	CHF CHF 1 = 2.4162 GEL	Total
Financial assets				
Insurance and reinsurance receivables	15,411,143	336,420	-	**15,747,563**
Amount due from credit institutions	2,855,320	-	-	**2,855,320**
Cash and cash equivalents	1,471,133	113,322	188,046	**1,772,501**
Total	**19,737,596**	**449,742**	**188,046**	**20,375,384**
Financial liabilities				
Other insurance liabilities	16,020,358			**16,020,358**
Other liabilities	45,598	385	-	**45,983**
Borrowed funds	1,447,409	-	-	**1,447,409**
Total	**17,513,365**	**385**	**-**	**17,513,750**
Open balance sheet position	**2,224,230**	**449,357**	**188,046**	

2014	USD USD 1 = 1.8636GEL	EUR EUR 1 = 2.2656 GEL	CHF CHF 1 = 1.8834 GEL	Total
Financial assets				
Insurance and reinsurance receivables	4,885,909	227,582	-	**5,113,491**
Amount due from credit institutions	1,238,193	-	-	**1,238,193**
Cash and cash equivalents	2,736,758	28,100	146,580	**2,911,438**
Total	**8,860,860**	**255,682**	**146,580**	**9,263,122**
Financial liabilities				
Other insurance liabilities	5,067,630	13,623	60,099	**5,141,352**
Other liabilities	60,538	45,312	-	**105,850**
Borrowed funds	1,358,252	-	-	**1,358,252**
Total	**6,486,420**	**58,935**	**60,099**	**6,605,454**
Open balance sheet position	**2,374,440**	**196,747**	**86,481**	

25. Risk management (continued)

Currency risk sensitivity

The following table details the Company's sensitivity to a 20% increase and decrease against the GEL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency rates.

Impact on net profit and equity based on asset values as at 31 December 2015 and 2014:

	USD impact		EUR impact		CHF impact	
2015	**GEL/USD 20%**	**GEL/USD - 20%**	**GEL/EUR 20%**	**GEL/EUR - 20%**	**GEL/CHF 20%**	**GEL/CHF - 20%**
Profit/(loss)	444,846	(444,846)	89,871	(89,871)	37,609	(37,609)

	USD impact		EUR impact		CHF impact	
2014	**GEL/USD - 20%**	**GEL/EUR 20%**	**GEL/EUR - 20%**	**GEL/USD - 20%**	**GEL/EUR 20%**	**GEL/EUR - 20%**
Profit/(loss)	474,888	(474,888)	39,349	(39,349)	17,296	(17,296)

26. Transactions with related parties

Related parties or transactions with related parties, as defined by IAS 24 'Related party disclosures', represent:

a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives then significant influence over the Company; and that have joint control over the Company;

b) Members of key management personnel of the Company or its parent;

c) Close members of the family of any individuals referred to in (a) or (b);

d) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Company and other related parties are disclosed below:

Included in the statement of comprehensive income for the years ended December 31, 2015 and 2014 are the following amounts which were recognized in transactions with related parties:

	2015		2014	
	Related party transactions	**Total category as per the financial statements caption**	**Related party transactions**	**Total category as per the financial statements caption**
Key management personnel compensation:				
Salary expenses	(412,786)	(1,840,102)	(445,538)	(1,262,697)

27. Post balance sheet events

There have been no subsequent events that need to be disclosed in the financial statements.