

Consolidated financial statements
of JSC Insurance Company Cartu
and its subsidiary companies

From 1 January 2015 to 31 December 2015

Table of contents:

Independent auditors' report	3
Consolidated income statement	4
State of position	5
Cash flow statement	6
Capital statement	7
Explanatory notes to the financial statements	8

Independent auditor's report

On accounting and financial statements of
Joint-Stock Company **Insurance Company Cartu** for 2015

1. The independent auditor - Auditory corporate group Tsodnisa LLC has performed an audit of financial statements (attached) of JSC **Insurance Company** (hereinafter referred to as - *Company*) and its subsidiaries (collectively - JSC **Insurance Company Cartu Group**). The financial statements covered State of position as of 31 December 2015, Consolidated income statement for 2015, Statement of changes in owner's equity, Cash flow statement for accounting period, main principles of accounting policy and definitions.

2. The management of the *Company* is responsible for accounting and its fair presentation in accordance with International financial reporting standards. This responsibility includes development and implementation of an adequate internal control system which must have no significant defects because of fraud and/or mistakes. We are responsible for expressing an opinion on the presented financial statements. The audit was planned and performed in accordance with International standards on auditing to confirm the reliability of financial accounting. The audit procedure is chosen depending on auditors' opinion and is carried out in a way that enables to take into account the risk of accounting misstatements resulting from material mistakes or fraud. The audit also includes assessment of suitability of accounting policy and accuracy of accounting records as well as assessment of completeness of the financial statements. We believe that the audit performed by us provides a reasonable basis for report preparation.

3. In accordance with the results of audit, in 2015, Joint-Stock Company **Insurance Company Cartu** has kept accounting records in compliance with International financial reporting standards. The presented financial statements for 2015 in terms of all main aspects reliably and adequately reflect the financial standing, incomes and expenses, cash flow of the *Enterprise* as of 31 December 2015.

Auditory corporate group Tsodnisa LLC
General Director

Giorgi Tsertsvadze

14.03.2016

	Note	2015	2014
Gross earned premium		10 574 926	5 830 622
Changes in unearned premium reserve		(1 465 748)	(3 447 566)
Reinsurance costs		(3 737 085)	(883 014)
Unearned net insurance premium:	3	<u>5 372 093</u>	<u>1 500 042</u>
Insurance losses	4	(5 085 904)	(1 495 847)
Commissions for agents and brokers		(148 087)	(42 328)
Other income from insurance activity	5	336 692	15 260
Income from reinsurance commission		265 682	53 869
Income from compensation of the loss from reinsurance		571 024	
Change in actual but undeclared loss reserve	6	(111 121)	135 896
Change in declared but outstanding loss reserve		(282 242)	245 037
Profit (loss) from insurance activity:		<u>918 137</u>	<u>411 929</u>
Other supply expenses		(43 365)	(50 174)
Administrative expenses	7	(1 445 243)	(1 188 117)
Total operational profit:		<u>(570 471)</u>	<u>(826 361)</u>
Financial income	8	42 222	120 830
Profit/(loss) from exchange difference	9	246 024	80 675
Other non-operational profit/(loss)		(1 958)	(12 863)
Profit before tax:		<u>(284 182)</u>	<u>(637 720)</u>
Profit tax		290 298	(152 383)
Profit (loss) for the period		<u>6 116</u>	<u>(790 103)</u>
Other gross income			
Fixed assets revaluation			
Revaluation share in depreciation expense		(496)	(496)
Other annual gross net income (expense)		<u>(496)</u>	<u>(496)</u>
Total gross annual income (expense)		<u>5 620</u>	<u>(790 599)</u>

General Director _____ Archil Mamatsashvili

Chief Accountant _____ Konstantine Muradashvili

	Notes	Balance 01.01.2016	Balance 01.01.2015
Total current assets:		<u>11 157 001</u>	<u>7 828 664</u>
Cash and cash equivalents	10	2 191 310	2 039 723
Current assets from insurance activity	11	4 633 763	3 405 146
Other current assets	12	367 245	29 065
Commodities		56 353	3 744
Advance expenses and advance tax payments	13	13 835	9 612
Advance reinsurance expense	14	3 013 591	2 270 413
Other assets from reinsurance	15	873 728	70 765
Dividend, interest, etc. receivable	16	7 175	197
Total long-term assets		<u>577 278</u>	<u>275 081</u>
Fixed assets	17	161 516	145 383
Intangible assets		24 504	28 738
Deferred tax assets	18	391 259	100 960
Total assets:		<u>11 734 279</u>	<u>8 103 745</u>
Total current liabilities		<u>9 933 068</u>	<u>6 308 154</u>
Liabilities from supply and services		9 867	(284)
Outstanding reinsurance liabilities	19	4 011 110	2 443 454
Actual but undeclared loss reserve		187 026	75 905
Declared but outstanding loss reserve		519 238	236 996
Other current liabilities	20	138 463	29 955
Deferred income	22	5 067 363	3 522 128
Total liabilities:		<u>9 933 068</u>	<u>6 308 154</u>
Capital			
Charter capital	23	4 670 300	4 670 300
Revaluation reserve	24	951	1 447
Undistributed profit / (outstanding loss)		(2 870 040)	(2 876 156)
including current year profit (loss)		6 116	(790 103)
Total capital:		<u>1 801 211</u>	<u>1 795 591</u>
Total liabilities and capital:		<u>11 734 279</u>	<u>8 103 745</u>

General Director _____

Archil Mamatsashvili

Chief Accountant _____

Konstantine Muradashvili

	2015	2014
Cash from operating activities		
Received insurance premium	8 705 032	2 252 562
Reinsurance premium paid	(2 232 179)	(550 057)
Covered loss	(5 077 972)	(2 131 293)
Loss covered by reinsurer	-	(10 004)
Other operating income	184 545	
Wages paid	(790 615)	(696 962)
Agent and broker commission	(126 105)	(30 296)
Communication expenses	(42 581)	(26 265)
Office	(13 394)	(19 249)
Advertisement	(3 533)	(35 288)
Business expense reimbursement	(4 911)	(12 114)
Rent paid	(189 288)	(134 238)
Tax paid, except profit tax	(241 596)	(46 507)
Cash from other operating activities	(214 448)	(60 765)
Net increase in cash from operating activities	<u>(47 702)</u>	<u>(1 500 477)</u>
Cash from investing activities		
Acquisition of fixed assets and intangible assets	(52 110)	(165 904)
Income from retired fixed assets and intangible assets		13 835
Interest received from deposits	35 263	124 978
Net increase in cash from investing activities	<u>(16 847)</u>	<u>(27 092)</u>
Cash from financial activity		
Interest paid	(1 865)	(219)
Net increase in cash from financial activity	<u>(1 865)</u>	<u>(219)</u>
Increase (decrease) because of exchange rate change	217 341	90 531
Net increase in cash and cash equivalents:	<u>151 588</u>	<u>(1 437 257)</u>
Cash and cash equivalents at the beginning of the period:	2 039 722	3 476 979
Cash and cash equivalents at the end of the period:	<u>2 191 310</u>	<u>2 039 722</u>

General Director _____

Archil Mamatsashvili

Chief Accountant _____

Konstantine Muradashvili

JSC Insurance Company Cartu
Capital statement

As of 31 December 2015

	Charter capital	Issued capital	Revaluation reserve	Accumulated income (loss)	Total:
<u>Balance as of 1 January 2013</u>	2 670 300	-	2 439	(229 249)	2 443 490
Increase (decrease) in stock capital	2 000 000				2 000 000
Profit (loss) in current period			(496)	(1 856 803)	(1 857 299)
<u>Balance as of 31 December 2013</u>	4 670 300	-	1 943	(2 086 053)	2 586 190
Increase (decrease) in stock capital					-
Profit (loss) in current period			(496)	(790 103)	(790 599)
<u>Balance as of 31 December 2014</u>	4 670 300	-	1 447	(2 876 156)	1 795 591
Increase (decrease) in stock capital					-
Profit (loss) in current period			(496)	6 116	5 620
<u>Balance as of 31 December 2015</u>	4 670 300	-	951	(2 870 040)	1 801 211

General Director _____ Archil Mamatsashvili

Chief Accountant _____ Konstantine Muradashvili

1. General Information

JSC Insurance Company Cartu (hereinafter referred to as the company) is registered on 13 September 2001 by Tbilisi Vake-Saburtalo District Court Decision No. 5/4-2960, identification code No. 204970031, legal address: Tbilisi, 39a Iliia Chavchavadze Avenue. Its registration is carried out according to the Law of Georgia *On Entrepreneurs*. On 24 December 2015, according to the Law of Georgia *On Insurance*, Insurance Company Cartu LTD has changed its legal form to JSC Insurance Company Cartu. *The company* is not VAT taxpayer. As of 31 December 2015, the founders of the company were Ringgold Finance Limited Company (The British Virgin Islands), which held 17.73% share in the capital of *the company* and Joint Stock Company Cartu Bank (Georgia), which held 82.27% share in the capital of *the company*. The charter capital of the company is 4670300 GEL.

The company holds two types of certificate for life and non-life insurance products issued by the Insurance State Supervision Service of Georgia. The head office of the company is located in Tbilisi. The company also has four service centers: in Tbilisi, in Batumi, in Poti and in Telavi.

The main activity of the company is all types of insurance activity.

2. Significant Accounting Policy

The financial statement for the calendar year 2015 of JSC Insurance Company Cartu is prepared according to International Financial Reporting Standards (IFRS) and also considering such rules of the supervision authorities which are slightly different in some aspects from International Financial Reporting Standards. The company should prepare its financial statement in GEL according to International Financial Reporting Standards.

The present financial statements is prepared on the original (historical) cost principle. The company measures an available-for-sale financial assets at fair value, if any. During 2015, JSC Insurance Company Cartu has not got such assets.

The financial statements of the company is presented correct to 1 (one) GEL, because of the most of the operations are presented in Georgian National Currency. Operations presented in other currency are considered as activities executed in foreign currency. The company has presented the financial position statement in accordance with the balance sheet liquidity.

The significant accounting policy in accordance with which the financial statements were prepared is given below.

2.1. Cash flows

The company presents cash flows from the selling of insurance policies/agreements and acquisition of reinsurance contracts as an operating cash flows because the actual activity of the company is the insurance activity.

2.2. Subsidiaries

Subsidiaries of the company are the companies in which it has more than a half of votes and has a right to control their activity. As of 31 December 2015, the company had only one subsidiary – Limited Liability Company ‘Reestri XXI’, which is registered on 30 October 2001 by Tbilisi Vake-Saburtalo District Court Decision No. 5/4-3005, identification code No. 204975438, legal address: Tbilisi, 39a Iliia Chavchavadze Avenue. The company owns 100% share in the charter capital of ‘Reestri XXI’ LLC. ‘Reestri XXI’ LLC, in its turn, on 29 January 2003 has founded one additional subsidiary ‘Diabazi’ LLC, which is registered by Tbilisi Vake-Saburtalo District Court Decision No. 5/4-3466, identification code No. 204999500, also with 100% share.

In accordance with the legislation of Georgia, the company keeps records for the subsidiaries using the capital method (in the forms of financial accounting which are submitted to LEPL Insurance State Supervision Service of Georgia).

2.3. Insurance agreements and recognition of insurance income

The insurance agreements/policies are defined as agreements/policies which cover a significant insurance risk from the effective date of agreement/policy or on the effective date of agreement/policy the insurance risk may be significant. Insurance risk depends on the probability of insured event and the scope of its future results. After the recognition of an agreement as an insurance agreement, it is treated as an insurance agreement for its residual effective period (if it is not canceled/annulled) including the cases when an insurance risk is significantly reduced.

The company earns its income through selling of various insurance agreements/policies. The company recognizes the income received from insurance agreements/policies as earned income in a period, for which the effect of insurance agreement/policy or bank guarantee is determined. At the moment of policy and bank guarantee issue, the company recognizes a full sum of insurance premium (bank guarantee sum) as an earned income, and afterwards equally distributes this income for the corresponding period (days).

2.4. Other income

Other income of the company is an interest income from the deposits opened in the commercial banks of Georgia. The company recognizes an interest income in the period, when the income is received and reflects it in the income-loss statement.

2.5. Other non-insurance expenses

The company recognizes other non-insurance claims at the moment of their origin and includes these expenses in an accounting period when they took place.

2.6. Deferred income

The company defers income of future periods and reflects them in the balance. The part of insurance premiums which belongs to future periods is deferred as an unearned premium. The change of unearned premium reserve is reflected in the consolidated profit-loss statement in such a way that the income is reflected in the risk period or proportionally to the expected future benefit.

2.7. Insurance reserves

The rule of insurance reserve formation is regulated by the Insurance State Supervision Service. As of 31 December 2015, the company had all of the three reserves envisaged by the legislation of Georgia: unearned premium reserve, declared but outstanding loss reserve and actual but undeclared loss reserve.

Declared but outstanding loss reserve of the company consists of two parties: the part of the reserve, which was received by the company at the end of the accounting period on the basis of document (invoice); and the part of the reserve, the amount of which is not justified by billing document but it can be reliably estimated.

2.8. Contributions

Contributions are included in the balance if because of the past circumstances the company has a legal or constructive liability and the loss of economic benefit is expected for coverage of mentioned liabilities.

2.9. Cash and cash equivalents

Cash and cash equivalents for the company include cash on the cash account, funds on current bank account and funds on deposits for which cash withdrawal does not exceed one year.

2.10. Claims from insurance activity and other current claims

Insurance and reinsurance claims are recognized based on terms of insurance agreement/policy/reinsurance contracts and are equal to agreement/contract sum (value). The reassessment in relation to depreciation of balance sheet value of insurance claims is carried out when the claims and circumstances indicate that the balance sheet value may remain unrecovered. Depreciation loss is recognized in the consolidated income statement of the company.

Reinsurance claims include the balances receivable from insurance and reinsurance companies in relation to insurance liabilities. Undertaken reinsurance premiums are recognized in accordance with the rule of recognition of income directly from the activity. The sums paid to reinsurer are recognized in accordance with reinsurance contracts.

Depreciation analysis is carried out for all reinsured assets if there is a depreciation risk. The reinsurance claims are depreciated when there is an evidence that the group may not receive all the sums payable to it in accordance with terms of reinsurance contract and this can be reliably evaluated.

Other claims are all other current, except non-insurance claims, advance tax payments and advance expenses.

Loss caused by depreciation connected with insurance and other claims is recognized in profit-loss statement.

2.11. Financial assets

In accordance with 39th International accounting standard, financial assets are classified as financial assets with fair value in profit-loss statement, loans and claims, term investments or financial assets to be sold. Initially, financial assets are recorded according to their market value, at the same time, if an investment took place at market value with profit or loss, the expenses related immediately to the contract are added to its fair value. The company defines the classification of financial assets during the initial recognition. The classification depends on the reason of investment acquisition or origin. Generally, financial assets are classified at fair value with profit or loss since it is the strategy of the group to manage the financial assets, which are acquired to cover its liabilities undertaken in accordance with its insurance and investment agreements, on the same basis, at fair value. Items for selling and term items are used when the corresponding liability is managed passively and/or is recognized at amortized value. As a rule, sellings and acquisitions of financial assets are recognized on the day of trade operation, i.e. on the date when the group acquires an asset. Acquisitions and sellings are the operations which require the transportation of an asset to the point of destination within the period defined by legislation or determined on the market.

Loans and claims are non-derivative financial assets which have fixed or determinable payment and which are not quoted on the market. Such assets are recorded at amortized value using the effective interest rate method. All expenses related to a deed are included in the value of investment. Profit and loss are recognized in consolidated income statement during write-off or devaluation of loan and claim as well as during depreciation.

Deduction of financial assets and liabilities and their recognition at net value in consolidated income statement is carried out when there is a legal right of deduction of sums and their reimbursement at net value or selling an asset and immediately reimburse a liability. Income and expense should not be deducted in consolidated income statement if it is not claimed or permitted according to any accounting standard or interpretation.

2.12. Insurance liabilities

General insurance liabilities include uncovered claims reserve, unearned premium reserve and insufficient premium reserve. General agreement/contract obligations are based on all final costs determined for those claims which have arisen but are not satisfied on the accounting date whether declared or not. Expenses for discharge of claims are added to it.

Liability is recorded on the basis of data and current assumptions existing on the accounting date. Liability is not discounted in relation to money time value. Write-off of liability is carried out when its reimbursement date has expired, terminated or canceled. The reserve is recognized on the effective date of an agreement, accrual of premium and is recorded as income from premium within the

agreement period in accordance with agreement insurance scheme. For each accounting period, the company considers its current risk and according to the liability adequacy test determines the surplus of expected claims and deferred acquisition expenses above the unearned premium.

2.13. Current liabilities

The current liabilities are the liabilities accrued for supplied commodities/rendered services.

2.14. Taxes

The expense for profit tax includes current and deferred profit tax expenses. The part of profit tax which is directly related to the capital is reflected in the capital items.

The current profit tax of the company is calculated on the basis of taxable profit and the effective tax rate.

The deferred profit tax is calculated using the balance sheet liability method taking into account all the timing differences which arise between the assets (liabilities) calculated based on international financial reporting standards and assets (liabilities) calculated based on the tax legislation. International accounting standard №12.47 deferred taxes are calculated based on tax rate which is effective or will be effective during the period when the company can take an advantage from deferred asset (liability). Additionally, if any benefit will take place from the tax losses of the company which can be deferred to the future periods, this benefit (deferred asset) will be also included into the calculation of deferred taxes.

The calculation of the deferred taxes is carried out only if it is known that their will be no benefit from these taxes.

In 2015, in Georgia, the profit tax rate was 15%.

2.15. Currency conversion

The financial statements are reported in GEL which is the operational currency of the company. The conversion of foreign currency is carried out on the basis of an exchange rate on a day of operation. Conversion of cash assets and liabilities in foreign currency into GEL is carried out on the basis of currency exchange rate of the National Bank of Georgia (NBG) on the reporting date. Profit-loss from revaluation of the operations carried out in a foreign currency is recognised in consolidated gross income statement as profit-loss (exchange difference) caused by conversion of a foreign currency except the cases when the recognition of profit or loss takes place directly in the capital by deduction of currency exchange component. Non-cash items which are recognised in foreign currency taking into account the historical value are converted using the exchange rate existed on the day of the first operation. The conversion of non-monetary items reflected in foreign currency with fair value is carried out using the exchange rate existed on the day of determination of fair value. Differences between the contract exchange rate and exchange rate of NBG existing on the day of operation are included in operations as the difference between profit and loss caused by foreign currency.

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. Unearned net insurance premium

During 2014 and 2015, the company has received income through selling of the following insurance agreements/policies:

	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)	2015 (GEL)
	Accident insurance	Insurance of liabilities	Life insurance	Medical insurance	Cargo insurance	Automobile insurance	Insurance of carrier responsibility	Aviation insurance	Travel insurance	Property insurance	Civil responsibility insurance	Insurance from financial losses	Insurance of amphibious vehicle	Total		
Unearned premium	15 498	22 545	3 667	3 674 273	159 754	1 228 651	24 496	3 155 948	52 202	601 061	167 133	775	3174	9 109 178		
Reinsurance expense					(117 818)	(391 536)	(11 975)	(2 886 029)		(305 275)	(24 451)			(3 737 085)		
	15 498	22 545	3 667	3 674 273	41 936	837 115	12 521	269 920	52 202	295 785	142 681	775	3 174	5 372 093		
Unearned premium	19 110		10 107		2 072	1 194 795	112 684	115 124	764 899	32 907	100 600	30 757	2 383 055			
Reinsurance expense							(81 169)	(1 806)	(746 938)		(47 985)	(5 116)	(883 014)			
	19 110		10 107		2 072	1 194 795	31 515	113 318	17 960	32 907	52 615	25 641	1 500 042			

4. Insurance losses

	2015 (GEL)	2014 (GEL)
Claim reimbursement expenses (automobile insurance)	1 171 629	83 929
Claim reimbursement expenses (property)	215 655	
Claim reimbursement expenses (cargos)	88	
Claim reimbursement expenses (travel)	2 248	575
Claim reimbursement expenses (bank guarantee)	4 000	1 111
Claim reimbursement expenses (medical insurance)	3 692 203	1 410 233
	<u>5 085 824</u>	<u>1 495 847</u>

5. Other income from insurance activity

Other income from insurance activity of the company was 336692 GEL as of 2015. Other income from insurance activity in the accounting period was the income from the preserved property - 73494 GEL, income from franchise - 1464 GEL and income from recourse - 261734 GEL.

6. Actual but undeclared loss reserve (GEL)

2014

Actual but undeclared loss reserve in 2013	211 801
Correction of expense in 2013	(211 801)
Actual but undeclared loss reserve in 2014	75 905
Net effect of income / (expense) of actual but undeclared loss reserve in 2014	(135 896)

2015

Actual but undeclared loss reserve in 2014	75 905
Correction of expense in 2014	(75 905)
Actual but undeclared loss reserve in 2015	187 026
Net effect of income / (expense) of actual but undeclared loss reserve in 2015	111 121

7. Administrative expenses

	2015 (GEL)	2014 (GEL)
Labor cost	1 030 184	901 439
Rent	190 640	108 744
Office expenses	16 045	26 717
Computer and communication expenses	47 609	39 351
Depreciation and amortization expenses	46 855	30 557
Consulting and audit expense	7 600	7 000
Tax expenses	1 535	847
Bank expense	7 615	3 744
Representation expenses	3 291	3 091
Other general administrative expenses	68 289	39 164
Advertisement	4 331	15 328
Postage expenses	9 389	
Business expenses	4 385	12 114
Non-deductible expenses	7 475	20
	<u>1 445 243</u>	<u>1 188 117</u>

8. Financial income

During 2015, as well as in 2014, the company has deposited its funds in three different banks - JSC Cartu Bank, JSC BasisBank, and JSC Procredit Bank. In 2015, the financial of the company included the income from the interest accrued on the deposits and current accounts - 42 222 GEL.

Because the company is a licensed financial institution, the interest income received by it from another licensed financial institution is taxed on the basis of 15% rate of profit tax in accordance with Tax Code of Georgia.

9. Profit/(loss) from exchange differences

In 2015, the company has received an income from exchange differences of 246 020 GEL.

Below, the data on the company's assets and liabilities structure is given in GEL and foreign currencies (with indication of GEL equivalent):

	GEL	EURO	RUB	USD	Total
Cash and cash equivalents	1 182 829	117 584		890 896	2 191 310
Current liabilities from insurance activity	1 378 489	17 327	259	3 237 687	4 633 762
Total current liabilities	367 245				367 245
Commodity	56 353				56 353
Advance expenses and advance tax payments	13 835				13 835
Advance reinsurance expenses	3 013 591				3 013 591
Dividend, interest, etc. receivable	7 027		148		7 175
Fixed assets	161 516				161 516
Intangible assets	24 504				24 504
Deferred tax assets	391 259				391 259
Investments in subsidiaries	-				-
Total assets:	6 596 649	134 911	259	4 128 731	10 860 550
Liabilities from supply and services	9 867				9 867
Reinsurance liability payable		987 576		3 023 534	4 011 110
Actual but undeclared loss reserve	187 026				187 026
Declared but outstanding loss reserve	519 238				519 238
Other current liabilities	121 523	790		16 150	138 463
Deferred income	5 067 363				5 067 363
Total liabilities:	5 905 017	988 366	-	3 039 684	9 933 068
Net balance items as of 31 December 2015	691 632	(853 455)	259	1 089 047	927 483

The company has cash, claims and liabilities in foreign currency. There is a currency risk for the company when the assets of the company exceed or are less than the liabilities in the same currency.

Below, company's profit/(loss) from exchange differences is given in accordance with the balance items:

	Positive result	Negative result	Total
Cash and cash equivalents	293 399	(76 058)	217 341
Current claims from insurance activity	785 832	(160 006)	625 827
Other current claims	68 747	(33 522)	35 225
Dividend, interest, etc. receivable	24	(4)	19
Total exchange profit / (loss) from assets:	1 148 002	(269 590)	878 413
Liabilities from supply and services	481		481
Reinsurance liabilities payable	952 454	(1 582 622)	(630 168)
Other current liabilities	1 795	(4 497)	(2 702)
Total exchange profit / (loss) from liabilities:	954 731	(1 587 120)	(632 389)
Total	2 102 733	(1 856 709)	246 024

10. Cash and cash equivalents

	Balance as of 01 January 2016	Balance as of 01 January 2015
	(GEL)	(GEL)
Cash on cash account	4 638	3 693
Current bank accounts	1 057 437	1 731 030
Deposits	1 129 235	305 000
	2 191 310	2 039 723

II. Current claims from insurance activity

As of 31 December 2015, on the balance of the company, in total 4 633 763 GEL of accounts receivable from medical, cargo, automobile, aviation, travel and property insurance were carried as an asset. The structure of the whole accounts receivable of the company is given in the following table:

	Balance as of 01 January 2016	Balance as of 01 January 2015
	(GEL)	(GEL)
Life insurance		
Medical insurance	34 167	6 135
Cargo insurance	1 091 441	758 213
Automobile insurance	26 446	8 663
Aviation insurance	217 335	111 969
Property insurance	2 726 487	2 321 712
Insurance of liabilities	452 835	132 955
Civil responsibility	3 905	3 911
Accidents	16 352	23 582
Insurance of financial loss	67 488	33 854
Travel insurance	885	
Impairment reserve of insurance claims	7 732	4 154
	<u>-11311</u>	
	4 633 763	3 405 146

12. Other current claims

	2015 (GEL)	2014 (GEL)
Advance payments		
Advance payments to agents and brokers	2 191	2 789
Recourse claims	148 456	26 276
Other current assets	212 576	
	4 022	
	<u>367 245</u>	<u>29 065</u>

13. Advance expenses and advance tax payments

As of 31 December 2015, on the balance of the company, advance expenses and advance tax payments were carried as an asset with the following structure:

	Balance as of 01 January 2016	Balance as of 01 January 2015
	(GEL)	(GEL)
Income tax advance payment	459	1 253
Profit tax advance payment	3 785	3 785
Advance payments for other taxes	73	159
Other advance expenses	9 519	4 415
	<u>13 835</u>	<u>9 612</u>

In 2014 and 2015, the company had a tax loss.

14. Advance reinsurance expense

	2015 (GEL)	2014 (GEL)
Reinsurance expenses for the future period (automobile insurance)	100 527	
Reinsurance expenses for the future period (carrier responsibility)	8 292	
Reinsurance expenses for the future period (property insurance)	328 572	65 587
Reinsurance expenses for the future period (aviation)	2 554 658	2 191 501
Reinsurance expenses for the future period (cargos)	11 213	6 270
Reinsurance expenses for the future period (other types of responsibility)	10 329	
Reinsurance expenses for the future period (professional responsibility)		7 056
	<u>3 013 591</u>	<u>2 270 413</u>

15. Other claims from reinsurance

	2015 (GEL)	2014 (GEL)
Claims against reinsurer in the part of claim reimbursement	426 947	479
Claims against reinsurer in the part of claim reserve	152 061	
Accounts receivable from reinsurer commission	294 720	70 285
	<u>873 728</u>	<u>70 765</u>

16. Dividends, interest, etc. receivable

	2015 (GEL)	2014 (GEL)
Interest accrued on deposits in Cartu Bank	1 637	
Interest accrued on deposits in Procredit Bank	195	197
Interest accrued on deposits in BasisBank	5 342	
	<u>7 175</u>	<u>197</u>

17. Fixed assets and intangible assets

The company records fixed assets and intangible assets by their acquisition (historical) value and records the depreciation using the linear method in accordance with their useful life:

- automobile vehicles – 5 years;
- Computers and communication means – 5 years;
- Furniture and other fixtures – 5 years;
- Intangible assets with undetermined useful life – 10 years.

Fixed asset is depreciated from the month when it becomes operational or it is ready to become operational.

Revaluation of balance sheet value of fixed assets is carried out in relation to depreciation when events or changes in circumstances indicate that the balance sheet value may remain unrecovered. Recognition of depreciation loss is carried out in consolidated income statement.

Any surplus arising from revaluation of fixed assets is added to the revaluation reserve of the fixed assets included in the capital, except the cases when it reflects reversion of depreciation arising from revaluation of a fixed asset which was previously recognized in the consolidated income statement; in such case, the increase is reflected in consolidated income statement. Deficit arising from revaluation is recognized in consolidated income statement, except the cases when the deficit, which directly mitigates a surplus of the same asset, is compensated by the surplus of fixed asset revaluation reserve.

The recognition of a fixed asset revaluation reserve in undistributed profit is carried out for the difference between the depreciation calculated on the basis of revaluated balance sheet value and the depreciation calculated on the basis of acquisition cost. At the same time, the accumulated depreciation on the day of revaluation is depreciated in relation to the total balance sheet value of an asset and revaluated asset is recognized again at net value. In case of transfer, any revaluation reserve related to specific sold asset is included in the undistributed profit.

Expenses on repair or renewal are recorded at the moment of origin and they are included in other operating expenses if there is no basis for their capitalization.

Fixed assets are written-off after their selling or when future economic benefit is no longer expected as a result of their use or selling. Any benefit or loss arising from a fixed asset write-off (calculated as a difference between a net income received from selling and balance sheet value of an asset) is included in consolidated income statement of the year when the asset was written-off.

	Vehicles (GEL)	Office equipment (GEL)	Furniture and other fixtures (GEL)	Other fixed assets (GEL)	Intangible assets (GEL)	Total (GEL)
Historical value						
Balance as of 1 January 2015	59 511	182 553	1 204	8 104	46 370	297 741
Increase	6 800	52 315	135			59 250
(decrease)						
Revaluation						
Total historical value as of 31 December 2015	66 311	234 867	1 339	8 104	46 370	356 991
Depreciation, amortization and devaluation						
Balance of 01 January 2015	30 528	74 206	80	1 174	17 631	123 620
Depreciation and amortization expense	6 927	34 308	261	1 621	4 235	47 351
Write-off						
Total accumulated depreciation value as of 31 December 2015	37 454	108 515	341	2 795	21 866	170 971
Amortized value as of 31 December 2015	28 856	126 353	997	5 309	24 504	186 020

18. Deferred tax asset

	<i>Amortized value (financial)</i>	<i>Amortized value (tax)</i>	<i>Timing differences</i>	<i>Effective profit tax rate</i>	<i>Profit tax asset (liability)</i>
2015					
Fixed assets	161 516	111 483	(50 033)	15%	(7 505)
Intangible assets	24 504	22 704	(1 800)	15%	(270)
Adjustment of dubious liabilities	(22 613)		22 613	15%	3 392
Tax loss	-		2 637 612	15%	395 642
Total	163 407	134 186	2 608 391		391 259

19. Liabilities to reinsurer

As of 31 December 2015, the liability of the company to reinsurer was 4 011 110 GEL.

	EURO	USD	Total
Paraklis Insurance Solution	959 284	2 660	961 944
Rifams LTD	28 293	(1 295)	26 998
Almondz Reinsurance Brokers		11 975	11 975
Ingosstrakh insurance company		1 224 470	1 224 470
Luftfahrt-Versicherungslosung		1 778 739	1 778 739
Howden insurance Brokers Ltd		6 985	6 985
	987 576	3 023 534	4 011 110

20. Other current liabilities

	2015 (GEL)	2014 (GEL)
Advance payments received	2 571	
Property tax	218	
Broker and agent commission payable	119 474	28 755
Other current liabilities	16 200	1 200
	138 463	29 955

21. Tax payable

On 31 December 2015, the company had no tax liabilities. In 2014 and 2015, the company had a tax loss.

22. Deferred income (UPR)

In 2014 and 2015, the structure of deferred insurance income of the company had the following structure:

	Balance of deferred income <i>As of 31 December 2014</i>	Earned premium <i>2015</i>	Earned premium <i>2015</i>	Balance of deferred income <i>As of 31 December 2015</i>
Medical insurance	750 667	3 923 571	3 674 273	999 965
Travel insurance	5 565	53 067	52 202	6 430
Life insurance	6 911	30 839	3 667	34 083
Property insurance	203 189	1 227 045	601 061	829 173
Insurance of financial loss		2 000	775	1 224
Automobile insurance (including civil responsibility)	166 158	1 359 250	1 228 651	296 756
Carrier responsibility insurance	6 326	30 964	24 496	12 794
Accident insurance	6 413	18 399	15 498	9 314
Cargo insurance	8 377	168 990	159 754	17 613
Insurance of obligations' fulfillment	6 350	25 881	22 545	9 685
Civil responsibility insurance	56 503	159 297	167 133	48 667
Amphibious vehicle insurance	-	6 313	3174	3 139
Aviation insurance	2 259 679	3 569 311	3 155 948	2 673 041
Total:	3 476 136	10 574 926	9 109 178	4 941 885

23. Charter capital

As of 31 December 2015, the charter capital of the company was 4670300 GEL which was mainly covered by funds. During the accounting period, the company has not increased or reduced the charter capital.

24. Fixed assets revaluation reserve

In 2015, the depreciation sum by which the revaluation reserve has reduced is equal to 496 GEL and as of 31 December 2015, the balance of revaluation reserve was 951 GEL.

25. Going concern

In accordance with International financial reporting standards, the prepared attached financial statements were prepared taking into account that the company is operational that means that the asset disposal and meeting the liabilities take place in course of everyday business activities.

26. Unforseen circumstances

The Georgian tax system is relatively new and consequently is characterized by frequent changes. These changes are enough controversial and frequently mutually exclusive that gives the tax authorities an opportunity to make different interpretations of these changes. Tax inspection can be carried out by different authorities, consequently, the company is exposed to the risk of different financial penalties or fines.

These circumstances create a tax risk which is much higher in Georgia than in other countries. The management is convinced that their approach to the tax issues is adequate in terms of current legal interpretation in Georgia, however, it cannot be ruled out that these interpretations will change in future and the tax authorities will have another position in relation to analogous issues.

Elene Travers



სანოტარო მოქმედების რეგისტრაციის ნომერი

N160386291



სანოტარო მოქმედების რეგისტრაციის თარიღი

15.04.2016 6

სანოტარო მოქმედების დასახელება

დოკუმენტის თარგმანზე დიპლომირებული მთარგმნელის ხელმოწერის დამოწმება

ნოტარიუსი

დარეჯან ახალბედაშვილი

სანოტარო ბიუროს მისამართი

ქ.თბილისი, ქუჩა მტკვარი, #6, სართული 1.

სანოტარო ბიუროს ტელეფონი

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სანოტარო მოქმედების ინდივიდუალური ნომერი

58396531061715



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

მე, ნოტარიუსი დარეჯან ახალბედაშვილი, ჩემს სანოტარო ბიუროში, მდებარე ქ. თბილისი, ქუჩა მტკვარი #6, სართული 1, ვამოწმებ ხელმოწერის ნამდვილობას, რომელიც შესრულებულია მთარგმნელის ელენე თვაურის (დაბ. 17.03.1987 წ., მისამართი: თბილისი, ა.წერეთლის გამზ. . 87ა, პ.ნ. 01007015515) ხელმოწერის ნამდვილობას, მთარგმნელმა წარმოადგინა ენის ცოდნის დოკუმენტი (სერთიფიკატი AB #0728, გაცემული უნივერსალური ცოდნის აკადემია მიერ, 01.06.2015). ხელმოწერის პირადობა დადგენილია, ქმედუნარობა და ნების გამოხატვის ნამდვილობა შემოწმებულია.

მე თარგმანი გავაფრთხილე იმ პასუხისმგებლობის შესახებ, რომელიც მოჰყვება არაზუსტ თარგმანს. მთარგმნელმა ჩემს წინაშე დაადასტურა, რომ ჯეროვნად ფლობს ინგლისურ და ქართულ ენებს. თარგმანი ზუსტია და თარგმანზე ხელი მოაწერა ჩემი თანდასწრებით .

გადახდილია საზღაური თანახმად საქართველოს მთავრობის 29/12/2011 წ. დადგენილებისა , სანოტარო მოქმედებათა შესრულებისათვის საზღაურისა და საქართველოს ნოტარიუსთა პარლამენტის დადგენილების საფასურის ოდენობის მათი გადახდევინების წესისა და მომსახურების ვადები „მ.31.3 -2.00 ლარი+ 0.36 ლარი, თანახმად საქართველოს საგადასახადო კოდექსის 169 -ე მუხლისა +მ. 39.1 -2.00 ლარი.

I, notary Darejan Akhalbedashvili , in my notary bureau what is located at the address: c. Tbilisi, Mtkvari street № 6, first floor certify the auctenticity of signature of the English language translator Elene Tvauri (personal № 01007015515, born on 17.03.1987, address: Tbilisi, Tsereteli ave.48). The translator presented the document confirming her knowledge of language (Diploma AB #0728, issued by Universal Knowledge academy Uniko on 01.06.2015). Signatory's identity is established, capacity and Expression is tested for authenticity.

I warned translator about her responsibility for the correctness of the translation and Confirmed that she know English and Georgian languages , that translation is correct and make her signature in front of me
Notary Fee: article 31.3 , 2(two) GEL + 0.36 According of 169 article to the Tax Code of Georgia , 39.1 2(two) GEL “ On fee for execution of the notarial actions and amount of fee established for Notary Chamber of Georgia , order of it’s payment and adoption of the service terms” approved by resolution N 507 of the Georgian Government as of December 29.2011

დოკუმენტი შედგება 48 ფურცლისაგან.

The document consists of 48 pages – sheets of papers.

ნოტარიუსი: დარეჯან ახალბედაშვილი,
Notary : Darejan Akhalbedashvili




