International Insurance Company IRAO JSC (formerly International Insurance Company IRAO LLC)

Separate Financial Statements
for the year ended 31 December 2015

prepared in accordance with
International Financial Reporting Standards
Issued by IASB as adopted by the European Union

and

Independent Auditors' Report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management of International Insurance Company IRAO JSC (formerly International Insurance Company IRAO LLC) (the "Company"), is responsible for the accompanying separate financial statements presented on pages 5 to 40.

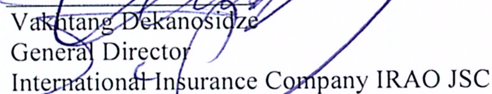
This responsibility includes:

- preparation of separate financial statements in accordance with International Financial Reporting Standards issued by IASB as adopted by the European Union;
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent;
- preparation of the separate financial statements on the going concern basis, unless circumstances make this inappropriate.

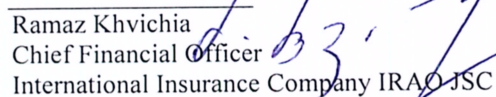
Management is also responsible for:

- creation, implementation and maintaining effective accounting and internal control systems;
- keeping proper accounting records in compliance with local regulations;
- taking such steps as are reasonably open to them to safeguard the assets of the Company, and
- prevention and detection of fraud and other irregularities.

The separate financial statements for the year ended 31 December 2015 were approved by the management and signed on its behalf by:



Vakhtang Dekanosidze
General Director
International Insurance Company IRAO JSC



Ramaz Khvichia
Chief Financial Officer
International Insurance Company IRAO JSC

Date: 24 February 2016

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Independent Auditors' Report

To the Supervisory Board of
International Insurance Company IRAO JSC (formerly International Insurance Company IRAO LLC)

We have audited the accompanying separate financial statements of International Insurance Company IRAO JSC (formerly International Insurance Company IRAO LLC) (the "Company"), which comprise the separate statement of financial position as at 31 December 2015, and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate 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 about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Andrew Coxshall
Managing Partner

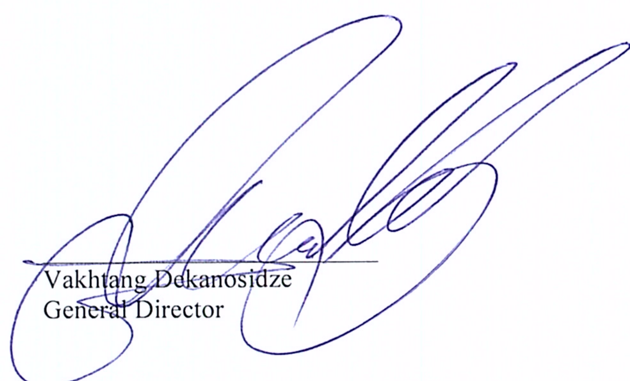
KPMG Georgia LLC
24 February 2016

KPMG Georgia LLC

KPMG Georgia LLC, a company incorporated under the Laws of Georgia,
a member firm of the KPMG network of independent member firms affiliated
with KPMG International Cooperative ("KPMG International"), a Swiss entity.

'000 GEL	Note	2015	2014
Gross premiums written	5	28,616	26,996
Written premiums ceded to reinsurers	5	(8,764)	(10,633)
Net premiums written		**19,852**	**16,363**
Change in the gross provision for unearned premiums	5	(3,275)	8,875
Reinsurers' share of change in the gross provision for unearned premiums	5	(442)	3,909
Net earned premiums		**16,135**	**29,147**
Claims settled, net of reinsurance	6	(13,800)	(25,178)
Change in outstanding claims, net of reinsurance	6	469	(438)
Net claims incurred		**(13,331)**	**(25,616)**
Subrogation and recoveries		469	323
Acquisition costs	7	(4,090)	(3,455)
Reinsurance commission income		1,709	1,735
Insurance activity result		**892**	**2,134**
Investment and other income	8	1,835	1,740
Interest expense	8	(778)	(870)
Other operating expense		(245)	(326)
Administrative expenses	9	(1,692)	(1,597)
Impairment (loss)/recovery of other assets		(65)	211
(Loss)/profit before income tax		**(53)**	**1,292**
Income tax expense	10	(181)	(959)
(Loss)/profit and total comprehensive (loss)/income for the year		**(234)**	**333**

The separate financial statements were approved on 24 February 2016 by:



Vakhtang Dekanosidze
General Director

Ramaz Khvichia
Chief Financial Officer

The separate statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 9 to 40.

'000 GEL	Note	31 December 2015	31 December 2014
ASSETS			
Property and equipment	11	4,171	3,460
Investment property	12	3,806	3,240
Intangible assets		449	152
Deferred acquisition costs	7	967	1,041
Other assets	13	3,065	2,195
Investment in associates	14	5,600	5,600
Loans issued		16	18
Reinsurers' share of insurance contract provisions	18	14,010	16,297
Deferred tax asset	21	1,784	2,239
Insurance receivables	15	13,580	10,631
Placements with banks	16	4,235	4,194
Cash and cash equivalents	17	850	1,946
Total assets		**52,533**	**51,013**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Insurance contract provisions	18	25,333	24,372
Loans and borrowings	19	13,531	13,297
Insurance and reinsurance payables	20	5,393	7,186
Other liabilities		628	787
Total liabilities		**44,885**	**45,642**
Shareholders' equity			
Share capital	22	11,916	9,405
Accumulated losses		(4,268)	(4,034)
Total shareholders' equity		**7,648**	**5,371**
Total liabilities and shareholders' equity		**52,533**	**51,013**

The separate statement of financial position is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 9 to 40.

'000 GEL	**Note**	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES			
Insurance premiums received		25,941	35,675
Reinsurance premiums paid		(2,193)	(3,487)
Claims and benefits paid		(19,056)	(25,233)
Subrogation and recoveries		111	426
Other acquisition costs		(3,333)	(3,072)
Interest income receipts		535	566
Commission, administrative and other expenses		(3,396)	(2,932)
Interest expense paid		-	(330)
(Increase)/decrease in operating assets		**(1,391)**	**1,613**
Placements with banks		488	627
Cash flows (used in)/from operations		**(903)**	**2,240**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and investment property and intangible assets		(378)	(102)
Cash flows used in investing activities		**(378)**	**(102)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(1,047)
Cash flows used in financing activities		**-**	**(1,047)**
Net (decrease)/increase in cash and cash equivalents		**(1,281)**	**1,091**
Effect of exchange rate fluctuations on cash and cash equivalents		185	18
Cash and cash equivalents at the beginning of the year		1,946	837
Cash and cash equivalents at end of year	17	**850**	**1,946**

The separate statement of cash flows is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 9 to 40.

’000 GEL	Share Capital/ Charter Capital *	Accumulated losses	Total
Balance at 1 January 2014	9,405	(4,367)	5,038
Total comprehensive income			
Profit for the year	-	333	333
Total comprehensive income for the year	**-**	**333**	**333**
Balance at 31 December 2014	**9,405**	**(4,034)**	**5,371**
Balance at 1 January 2015	9,405	(4,034)	5,371
Total comprehensive income			
Loss for the year	-	(234)	(234)
Total comprehensive income for the year	**-**	**(234)**	**(234)**
Increase in share capital/charter capital *	2,511	**-**	**2,511**
Balance at 31 December 2015	**11,916**	**(4,268)**	**7,648**

* On 23 November 2015, the Company changed its legal form from a Limited Liability Company to a Joint Stock Company.

The separate statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 9 to 40.

1 Background

(a) Principal activities

International Insurance Company IRAO JSC ("the Company"), formerly incorporated as a Limited Liability Company, as defined in the Civil Code of Georgia, was established in 2004. The Company changed its legal form from a Limited Liability Company to a Joint Stock Company on 23 November 2015. The Company's registered office is #88/15 Bochorishvili Street, Tbilisi 0160, Georgia. The Company's parent company is TBIH Financial Services Group N.V (TBIH).

The Company is licensed to provide all types of insurance and reinsurance services in Georgia.

The associate of the Company is:

			Ownership %	
Name	**Country of incorporation**	**Principal activities**	**2015**	**2014**
Geo Hospitals LLC	Georgia	Medical service	35%	35%

As at 31 December 2015 the Company had 3 branches from which it conducts insurance business throughout Georgia. At 31 December 2015 the Company employed 215 full time employees.

The Company's intermediate parent is VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna ("VIG"). The Company is ultimately controlled by Wiener Stadtische Wechselseitiger Versicherungsverein – Vermogensverwaltung – Vienna Insurance Group, Vienna.

(b) Georgian business environment

The Company's operations are primarily located in Georgia. Consequently, the Company is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The separate financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by IASB as adopted by the European Union (EU IFRS).

The Company does not prepare consolidated financial statements based on IFRS 10 Consolidated Financial Statements as the Company itself is a partially-owned subsidiary of another entity and its other owners have been informed about, and do not object to, the Company not preparing consolidated financial statements; the Company's debt or equity instruments are not traded in a public market; the Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; the intermediate parent VIG produces consolidated financial statements available for public use that comply with EU IFRS.

The consolidated financial statements of VIG can be obtained from the VIG Group web site www.vig.com.

(b) Basis of measurement

The separate financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these separate financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousands, except when otherwise indicated.

(d) Use of estimates and judgements

The preparation of separate financial statements in conformity with IFRSs, as adopted by European Union (EU IFRS), requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in the following notes:

- Note 4 – Insurance risk management; and
- Note 18 – Insurance contract provisions.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

(a) Investments associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted at cost less impairment losses.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

(c) Insurance contracts

(i) Classification of contracts

Contracts under which the Company accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance risk is risk other than financial risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Company to pay significant claims. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire. Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as financial instruments.

Financial guarantee contracts are accounted for as insurance contracts.

(ii) Recognition and measurement of contracts

Premiums

Gross premiums written comprise premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period using the daily pro-rata method. Outward reinsurance premiums are recognised as an expense in accordance with the daily pro-rata method. The portion of outward reinsurance premiums not recognised as an expense is treated as a prepayment.

Policy cancellations

Policies are cancelled if there is objective evidence that the policyholder is not willing or able to continue paying policy premiums. Cancellations therefore affect mostly those policies where policy premiums are paid in instalments over the term of the policy.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method.

Claims

Net claims incurred comprise claims paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not, and provisions for related external claims handling expenses.

Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in external claims handling expenses, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

Anticipated reinsurance and subrogation recoveries are recognised separately as assets. Reinsurance and subrogation recoveries are assessed in a manner similar to the assessment of claims outstanding.

Adjustments to the amounts of claims provisions established in prior years are reflected in the separate financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(iii) Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the partial transfer of risk to reinsurers. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premiums ceded and benefits reimbursed are presented in profit or loss and statement of financial position on a gross basis.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurance are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

Premiums on reinsurance assumed are recognised as revenue and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business.

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

(iv) Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC for general insurance and health products are amortised over the period in which the related revenues are earned.

(v) Liability adequacy test

At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related DAC assets for each line of business which are managed together. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses attributable to the unexpired periods of policies in force, as well as investment income from assets backing such liabilities, are used. If a shortfall is identified the related deferred acquisition cost and related intangible assets are written down and, if necessary, an additional provision (unexpired risk provision) is established. The deficiency is recognised in profit or loss for the year.

(vi) Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets. The Company reviews its insurance receivables to assess impairment on a regular basis.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

(e) Financial instruments

(i) Non-derivative financial assets and financial liabilities – recognition and measurement

The Company initially recognises loans and receivables, bank deposits and cash and cash equivalents on the date that they are originated.

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of financial assets:

- Insurance receivables as presented in note 15; and
- Subrogation receivables as presented in note 13;

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and insurance and reinsurance payables.

(ii) Non-derivative financial assets and financial liabilities - derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Company and all counterparties.

(iv) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(v) Gains and losses on subsequent measurement

For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(f) Property and equipment

(i) Recognition and measurement

Items of property and equipment, are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net in profit or loss.

(ii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

- Buildings 50 years
- Office and computer equipment 5-10 years
- Vehicles 5 years
- Others 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. These include properties with currently undetermined future use. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment. Land is not depreciated.

The estimated useful life of building for the current and comparative periods is 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

(h) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are three to five years.

(i) Impairment

(i) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and receivables (“loans and receivables”). The Company reviews its loans and receivables, to assess impairment on a regular basis. A loan and receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan and receivable and that event (or events) has had an impact on the estimated future cash flows of the loan and receivable that can be reliably estimated.

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

(ii) Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(l) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Interest income and expenses and fee and commission income

Interest income and expense are recognised in profit or loss as they accrue, taking into account the effective interest rate of the asset/liability or an applicable floating rate. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Other fee and commission income is recognised when the corresponding service is provided.

(n) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2015, and have not been applied in preparing these separate financial statements. Of these pronouncements, potentially the following will have an impact on the Company's operations. The Company plans to adopt these pronouncements when they become effective.

- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its separate financial statements resulting from the application of IFRS 9. The Standard has not yet been endorsed in the European Union.

- IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

  The core principle of the new standard is that an entity recognises 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 or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.

  IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its separate financial statements resulting from the application of IFRS 15. The Standard has not yet been endorsed in the European Union.

- IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

  Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

  IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted. The Standard has not yet been endorsed in the European Union.

4 Insurance risk management

(a) Risk management objectives and policies for mitigating insurance risk

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

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

(i) Underwriting strategy

The Company's underwriting strategy seeks diversity so that the Company's portfolio at all times includes several classes of non-correlating risks and that each class of risk, in turn, is spread across a large number of policies. Management believes that this approach reduces the variability of the outcome.

The underwriting strategy is set out in the instructions. The strategy is implemented through underwriting guidelines that determine detailed underwriting rules for each type of product. The guidelines contain insurance concepts and procedures, descriptions of inherent risk, terms and conditions, rights and obligations, documentation requirements, template agreement/policy examples, rationale of applicable tariffs and factors that would affect the applicable tariff. The tariff calculations are based on probability and variation.

Adherence to the underwriting guidelines is monitored by Management on an on-going basis.

(ii) Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company mainly buys facultative and Excess-of-Loss ("XL") based reinsurance to reduce the net exposure to the Company to 3% of equity for every individual contract or in other specified circumstances. The Company also buys reinsurance treaties for the main lines of its business that protect the Company from any cumulative losses that may arise from multiple claims resulting from the same event or occurrence.

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after deductions for known insolvencies and uncollectible items. The Company monitors the financial condition of reinsurers on an on-going basis and reviews its reinsurance arrangements periodically.

The Company does not utilize any stop-loss reinsurance.

(b) Terms and conditions of insurance contracts and nature of risks covered

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

(i) Medical insurance

Product features

The largest part of the Company's insurance portfolio relates to medical insurance. These contracts pay benefits for medical treatment and hospital expenses.

Management of risk

Health insurance cover is subject to the primary peril of the need for a medical treatment. The Company manages its risks through writing predominantly corporate policies and through the use of medical screening so that pricing considers current health conditions. Besides, the Company uses the service of its associate company clinic and pharmacies based on a fixed payment for each insured person irrespective of actual treatment or claim.

(ii) Property insurance

Product features

The Company writes property insurance. This includes both private property insurance and industrial property insurance. Property insurance indemnifies the policyholder, subject to any limits or excesses, against the loss or damage to their own tangible property.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as short-tailed.

Management of risk

The key risks associated with this product are underwriting risk, competitive risk and claims experience risk (including the variable incidence of natural disasters). The Company is also exposed to the risk of exaggeration and dishonest action by claimants.

Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

These risks are managed primarily through the pricing and reinsurance processes. The Company uses strict underwriting criteria to ensure that the risk of losses is acceptable to the Company. The Company reinsures its property risks by way of excess of loss treaties, which limit the Company's exposure to EUR 35 thousand for each property policy.

(iii) Motor insurance

Product features

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

Management of risk

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

The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in the winter months.

Motor lines of insurance are underwritten based on the Company's proprietary accident statistics database. The Company reinsures its Casco risks by facultative reinsurance contracts, which limit the Company's exposure to ultimate net loss for each and every loss occurrence from USD 30 thousand to USD 60 thousand.

(c) Concentrations of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts with similar risk features, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contract tranches.

Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography.

The Company's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed. Secondly, the risk is managed through the use of reinsurance. The Company purchases reinsurance coverage for various classes of its motor, property and other business. The Company assesses the costs and benefits associated with the reinsurance programme on an on-going basis.

(d) Reinsurance risk

The Company cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual and portfolio risks. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk, but in any event does not exceed 3% of equity for any policy.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

When selecting a reinsurer the Company considers their relative creditworthiness. The creditworthiness of the reinsurer is assessed from public rating information and from internal investigations.

(e) Claims development

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Company. The table compares the claims paid on an accident year basis with the provisions established for these claims. The top part of the table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or accident year-ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, readers of these separate financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Company believes that the estimate of total claims outstanding at the end of 2015 is adequate. However, due to the inherent uncertainties in the provisioning process, it cannot be assured that such balances will ultimately prove to be adequate.

Analysis of claims development (gross) – Total

Accident year	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of cumulative claims	**GEL'000**	**GEL'000**	**GEL'000**	**GEL'000**	**GEL'000**	**GEL'000**
Accident year	19,149	28,282	41,270	30,105	17,322	**136,128**
One year later	18,506	27,969	44,450	30,262		**-**
Two years later	18,493	27,966	44,441			**-**
Three years later	18,514	28,088				**-**
Four years later	18,643					**-**
Current estimate of incurred claims	**18,643**	**28,088**	**44,441**	**30,262**	**17,322**	**138,756**
Outstanding Claims For Periods Prior 2011						**225**
Cumulative claims paid to 31 December 2015	**18,060**	**27,453**	**40,408**	**29,210**	**14,123**	**129,254**
Gross outstanding claims liabilities	**583**	**635**	**4,033**	**1,052**	**3,199**	**9,727**

Management did not disclose information for periods before 2011 as there is no material uncertainty about the amount and timing of the claims payments related to periods before 2011 due to the nature of underwriting policies and terms.

5 Premiums

2015 '000 GEL	**Government medical Insurance ***	**Corporate medical Insurance**	**Property insurance**	**Motor insurance (Casco)**	**MTPL**	**Agro**	**Other**	**Total**
Gross premiums written	-	14,231	5,827	3,394	469	300	4,395	**28,616**
Change in the gross provision for unearned premiums	-	(3,057)	(597)	(368)	(38)	1,509	(724)	**(3,275)**
Gross earned premiums	**-**	**11,174**	**5,230**	**3,026**	**431**	**1,809**	**3,671**	**25,341**
Less: written premiums ceded to reinsurers	-	-	(4,840)	(160)	(51)	(300)	(3,413)	**(8,764)**
Reinsurers' share of change in the gross provision for unearned premiums	-	-	386	34	9	(1,509)	638	**(442)**
Ceded earned premiums	**-**	**-**	**(4,454)**	**(126)**	**(42)**	**(1,809)**	**(2,775)**	**(9,206)**
Net earned premiums	**-**	**11,174**	**776**	**2,900**	**389**	**-**	**896**	**16,135**

2014 '000 GEL	**Government medical Insurance ***	**Corporate medical Insurance**	**Property insurance**	**Motor insurance (Casco)**	**MTPL**	**Agro**	**Other**	**Total**
Gross premiums written	(1,020)	12,598	5,241	2,998	441	3,087	3,651	**26,996**
Change in the gross provision for unearned premiums	13,305	(115)	(1,029)	(361)	(76)	(1,511)	(1,338)	**8,875**
Gross earned premiums	**12,285**	**12,483**	**4,212**	**2,637**	**365**	**1,576**	**2,313**	**35,871**
Less: written premiums ceded to reinsurers	-	-	(4,598)	(121)	(39)	(3,087)	(2,788)	**(10,633)**
Reinsurers' share of change in the gross provision for unearned premiums	-	-	879	(18)	13	1,511	1,524	**3,909**
Ceded earned premiums	**-**	**-**	**(3,719)**	**(139)**	**(26)**	**(1,576)**	**(1,264)**	**(6,724)**
Net earned premiums	**12,285**	**12,483**	**493**	**2,498**	**339**	**-**	**1,049**	**29,147**

* On 1 September 2014, the Government Medical Insurance program was fully cancelled by The Government of Georgia.

6 Claims

2015 '000 GEL	**Government medical Insurance**	**Corporate medical Insurance**	**Property insurance**	**Motor insurance (Casco)**	**MTPL**	**Agro**	**Other**	**Total**
Claims Settled	-	10,877	721	2,163	226	3,304	3,319	**20,610**
Reinsurers' share of claims settled	-	-	(510)	(28)	-	(3,291)	(2,981)	**(6,810)**
Claims settled, net of reinsurance	**-**	**10,877**	**211**	**2,135**	**226**	**13**	**338**	**13,800**
Change in provisions for reported but not settled claims	-	(0)	691	(37)	(9)	(76)	(2,703)	**(2,134)**
Change in provisions for incurred but not reported claims	-	(180)	-	-	-	-	-	**(180)**
Change in reinsurers' share in claims provisions	-	-	(741)	-	-	76	2,510	**1,845**
Change in insurance contract provisions	**-**	**(180)**	**(50)**	**(37)**	**(9)**	**-**	**(193)**	**(469)**
Net claims incurred	**-**	**10,697**	**161**	**2,098**	**217**	**13**	**145**	**13,331**

2014 '000 GEL	**Government medical Insurance**	**Corporate medical Insurance**	**Property insurance**	**Motor insurance (Casco)**	**MTPL**	**Agro**	**Other**	**Total**
Claims Settled	12,104	10,772	200	1,658	333	47	726	**25,840**
Reinsurers' share of claims settled	-	-	(179)	-	-	(47)	(436)	**(662)**
Claims settled, net of reinsurance	**12,104**	**10,772**	**21**	**1,658**	**333**	**-**	**290**	**25,178**
Change in provisions for reported but not settled claims	(101)	600	4,433	81	10	1,230	2,127	**8,380**
Change in provisions for incurred but not reported claims	-	(163)	-	-	-	-	-	**(163)**
Change in reinsurers' share in claims provisions	-	-	(4,347)	-	-	(1,230)	(2,202)	**(7,779)**
Change in insurance contract provisions	**(101)**	**437**	**86**	**81**	**10**	**-**	**(75)**	**438**
Net claims incurred	**12,003**	**11,209**	**107**	**1,739**	**343**	**-**	**215**	**25,616**

In 2014 the Company had capitation arrangements with its associate Geo Hospitals LLC for the Government medical insurance program by which the Company paid a fixed amount per each insured person, irrespective of actual claims to hospitals. Accordingly, all claims and claims handling expenses were covered by Geo Hospitals LLC.

7 Acquisition costs

	2015 '000 GEL	2014 '000 GEL
Insurance commission expense	684	946
Other acquisition costs	3,332	3,072
Total acquisition costs	**4,016**	**4,018**
Change in deferred acquisition costs	74	(563)
Acquisition costs for the year	**4,090**	**3,455**

Analysis of movement in deferred acquisition costs

	2015 '000 GEL	2014 '000 GEL
Deferred acquisition cost at the beginning of the year	1,041	478
Change in deferred acquisition costs	(74)	563
Deferred acquisition costs at the end of the year	**967**	**1,041**

8 Investment and other income and interest expense

	2015 '000 GEL	2014 '000 GEL
Interest income		
Loans issued	3	3
Placements with banks	237	265
Total interest income	**240**	**268**
Other income/(expenses)		
Foreign exchange (loss)/gain	(787)	673
Gain/(loss) on currency forward contract	700	(693)
Rent income	240	202
Impairment reversal of building (notes 11 and 12)	1,409	1,288
Other	33	2
	1,595	**1,472**
Total interest and other investment income	**1,835**	**1,740**
Interest expense - loans and borrowings	**(778)**	**(870)**

9 Administrative expenses

	2015 '000 GEL	2014 '000 GEL
Employee compensation	1,266	1,156
Office maintenance	212	225
Depreciation and amortization	119	115
Legal and other professional fees	50	58
Other administrative expenses	45	43
Total Administrative Expenses	**1,692**	**1,597**

10 Income tax

The Company's applicable tax rate is the corporate income tax of 15% (2014: 15%).

	2015	2014
Current tax expense	**'000 GEL**	**'000 GEL**
Adjustment for prior years	(274)	612
	(274)	612
Deferred tax Income		
Origination and reversal of temporary differences	455	347
Total income tax expense/benefit	**181**	**959**

Reconciliation of effective tax rate:

	2015	2014
	'000 GEL	**'000 GEL**
(Loss)/profit before income tax	(53)	1,292
Income tax at the applicable tax rate	(8)	194
Non-deductible expenses	72	153
Change in recognised deductible temporary differences due to reversal of deferred tax asset (note 21)	391	-
Adjustment for prior years	(274)	612
	181	**959**

11 Property and equipment

2015 **'000 GEL**	**Land and buildings**	**Computers equipment**	**Motor Vehicles**	**Furniture and equipment**	**Total**
Cost					
At 1 January 2015	3,613	619	84	416	4,732
Additions	-	38	-	35	73
Impairment reversal	775	-	-	-	775
At 31 December 2015	**4,388**	**657**	**84**	**451**	**5,580**
Depreciation					
At 1 January 2015	493	515	49	215	1,272
Depreciation charge	73	32	5	27	137
At 31 December 2015	**566**	**547**	**54**	**242**	**1,409**
Net book value					
At 31 December 2015	**3,822**	**110**	**30**	**209**	**4,171**

2014 **'000 GEL**	**Land and buildings**	**Computers equipment**	**Motor Vehicles**	**Furniture and equipment**	**Total**
Cost					
At 1 January 2014	2,881	569	84	362	3,896
Additions	24	50	-	54	128
Impairment reversal	708	-	-	-	708
At 31 December 2014	**3,613**	**619**	**84**	**416**	**4,732**
Depreciation					
At 1 January 2014	400	474	39	190	1,103
Depreciation charge	93	41	10	25	169
At 31 December 2014	**493**	**515**	**49**	**215**	**1,272**
Net book value					
At 31 December 2014	**3,120**	**104**	**35**	**201**	**3,460**

In 2015, due to the relative improvement in commercial property value in local currency terms, the Company hired an independent expert to assess the fair value less costs to sale of its building which had an impairment recognised on it in prior years. This resulted in an impairment reversal of GEL 775 thousand (2014: GEL 708 thousand) for the owner occupied part of the building and GEL 634 thousand (2014: GEL 580 thousand) for the part of the building, which was classified as investment property.

The fair value is categorized into Level 3 of the fair value hierarchy.

The fair value was determined based on market prices in recent transactions or announced asking prices of similar properties. The key assumption made by the expert related to the market price of one square meter of commercial area in the similar location and condition in the centre of Tbilisi.

The significant unobservable inputs related to the differences in the characteristics of the buildings for which the expert applied 0 to 30% adjustments to observed asking or transaction prices.

* Building with a carrying amount of GEL 3,781 thousand is pledged to secure borrowings received from a related party as at 31 December 2015 (2014: GEL 3,065 thousand).

12 Investment property

Cost	**2015** **'000 GEL**	**2014** **'000 GEL**
At 1 January	3,240	2,749
Impairment reversal (note 11)	634	580
Depreciation	(68)	(89)
At 31 December	**3,806**	**3,240**

Management estimates that the fair values of investment property approximate their carrying amounts. The fair value is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments to observable inputs to the valuation technique used. The fair value was determined based on market prices in recent transactions or announced asking prices of similar properties (note 11).

Investment property with a carrying amount of GEL 3,093 thousand is pledged to secure borrowings received by a related party as at 31 December 2015 (2014: GEL 2,508 thousand).

13 Other assets

	2015 '000 GEL	2014 '000 GEL
Receivables from subrogation	3,351	3,249
Accrued income on placements with banks	12	13
Advances paid to employees	25	18
Profit tax paid in advance	57	-
Prepayment to Public Pharmacy	221	393
Receivable from currency forward agreement	560	10
Other	570	697
	4,796	**4,380**
Allowance for impairment	(1,731)	(2,185)
	3,065	**2,195**

Analysis of movements in the allowance for impairment

	2015 '000 GEL	2014 '000 GEL
Balance at the beginning of the year	2,185	2,396
Write off	(520)	-
Net charge/(recovery) for the year	66	(211)
Balance at the end of the year	**1,731**	**2,185**

14 Investments in associates

	2015 GEL'000	Ownership %	2014 GEL'000	Ownership %
Geo Hospitals LLC	5,600	35	5,600	35

The principal place of business and country of incorporation of the associate is Georgia. In November 2013, the Company pledged its 35% share in Geo Hospitals LLC to secure loans from TBIH.

15 Insurance receivables

	2015 '000 GEL	2014 '000 GEL
Receivables arising out of direct insurance operations	15,602	12,014
Allowance for insurance receivables	(2,022)	(1,383)
	13,580	**10,631**

Analysis of movements in the allowance for insurance receivables:

	2015 '000 GEL	2014 '000 GEL
Balance at the beginning of the year	1,383	2,396
Write off	-	(1,211)
Net charge for the year	639	198
Balance at the end of the year	**2,022**	**1,383**

The Company is not subject to significant credit risk on receivables arising out of direct insurance operations as policies are cancelled and the unearned premium reserve relating to the policy is similarly cancelled when there is objective evidence that the policyholder is not willing or able to continue paying policy premiums.

The Company creates allowance on insurance and reinsurance receivables based on their aging analysis. Client also makes specific provision when facts and circumstances suggest that particular counterparty cannot pay.

The following table shows aging of insurance receivables as at 31 December 2015 and 2014:

GEL '000	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Not Past Due	10,563	-	8,194	-
Past due 0-30 days	2,667	-	2,108	-
Past due 31-60 days	77	(15)	116	(23)
Past due 61-90 days	73	(22)	138	(41)
Past due 91-120 days	58	(29)	32	(16)
Past due 121-365 days	520	(312)	308	(185)
Past due more the one year	1,644	(1,644)	1,118	(1,118)
	15,602	**(2,022)**	**12,014**	**(1,383)**

16 Placements with banks

	2015 GEL'000	2014 GEL'000
Term Deposits	**4,235**	**4,194**

Placements with banks are comprised of term deposits with banks. None of placements with banks are impaired or past due.

Concentration of placements with banks

As at 31 December 2015 and 2014 placements with banks which individually comprised more than 10% of total placements with banks were as follows:

	2015 '000 GEL	2014 '000 GEL
Kor Standard Bank	1,223	1,404
Bank Republic	2,499	2,404
Total	**3,722**	**3,808**

17 Cash and cash equivalents

	2015 GEL'000	2014 GEL'000
Petty cash	26	26
Current accounts with banks	824	1,920
Total cash and cash equivalents	**850**	**1,946**

Bank balances comprise of current accounts with banks. None of bank balances are impaired or past due.

18 Insurance contract provisions

	2015 '000 GEL			2014 '000 GEL		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Unearned premiums	15,606	(5,930)	9,676	12,331	(6,372)	5,959
Incurred but not reported	134	-	134	314	-	314
Notified claims provision	9,593	(8,080)	1,513	11,727	(9,925)	1,802
Total insurance contract provisions	**25,333**	**(14,010)**	**11,323**	**24,372**	**(16,297)**	**8,075**

(a) Analysis of movements in provisions for unearned premiums (gross of reinsurance)

	2015 ’000 GEL	2014 ’000 GEL
Balance at 1 January	12,331	21,206
Gross premiums written (Note 5)	28,616	26,996
Gross earned premiums (Note 5)	(25,341)	(35,871)
Balance at 31 December	**15,606**	**12,331**

(b) Analysis of movements in claims provisions (gross of reinsurance)

	2015 ’000 GEL	2014 ’000 GEL
Balance at 1 January	**12,041**	**3,824**
Expected cost of current year claims (Note 4)	17,322	30,105
Change in estimates in respect of prior year claims	(103)	3,163
Claims paid during the year	(19,533)	(25,051)
Balance at December 31	**9,727**	**12,041**

(c) Assumptions and sensitivities

Process used to determine the assumptions

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

However, given the uncertainty in establishing a provision for outstanding claims, it is likely that the final outcome will prove to be different from the original liability established.

Provision is made at the statement of financial position date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related external claims handling expenses, less amounts already paid.

The provision for claims is not discounted for the time value of money.

The sources of data used as inputs for the assumptions are typically internal to the Company, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market information or other published information.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available. IBNR claims may often not be apparent to the Company until sometime after the occurrence of the event giving rise to the claim. Due to the short tail nature of the Company's portfolio a substantial amount of claims are settled within one year after the occurrence of the event giving rise to the claim.

The Company uses actuarial methods in calculating IBNR. The methods used for calculation of IBNR reserve include actuarial methods such as the chain ladder and the average payment per claim method, or in some cases, the expected loss ratio method is applied in order to ensure reasonable estimations when the statistical method fails. The actuaries carry out estimations using data regarding claims payments, numbers of claims reported and case-reserves. The estimates allow for IBNR, expected subrogation and direct claims handling expenses. See below for more details.

For the purpose of valuing outstanding claims, or supplementing the claims departments' per-claim case reserves for IBNR, the actuarial models detailed below have been used in conjunction with various assumptions:

- Chain ladder: this method is based on the development of historical claims (development of payments and/or development of amount of claims, development of the number of claims, etc.), in order to evaluate the anticipated development of existing and future claims. The use of this method is mainly suitable after a sufficient period since the event occurred or the policy is written, when there is enough information from the existing claims in order to evaluate the total anticipated claims;

- Bornhuetter-Ferguson (or modified version thereof): this method combines early estimates known in the Company or class of business, and additional estimates based on the claims themselves. The early estimates utilize premiums and the loss ratio for evaluating the total claims. The second estimate utilizes actual claims experience based on other methods (such as chain ladder). The combined claims valuation weights the two estimates while a larger weight is given to the valuation based on the claims experience as time passes and additional information is accumulated for the claims. The use of this method is mainly suitable for the recent period where there is not enough information from the claims or for a new business or one with insufficient historical information;

- The average payment per claim: at times, as in the Bornhuetter-Ferguson method, when the claims experience is insufficient, the historical average method is utilized. In this method the provision is calculated based on the forecast of the number of claims (chain ladder method) and historical average claim size.

Large claims are generally assessed separately and are measured on a case by case basis or projected separately in order to allow for the possible distorting effects on development and incidence of these large claims.

IBNR provisions and provisions for outstanding claims are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

Assumptions

The assumptions that have the greatest effect on the measurement of general insurance contract provisions are the expected loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to earned premiums. When determining the total liability, the projection of future cash flows includes the estimated values of parameters that can affect the amount of an individual claim (e.g. frequency of claims, risks connected with the insurance contract – death as a result of an accident, persistent effects, recovery time, time between date of occurrence of the insured event and the settlement date).

Sensitivity analysis

Management believes that, due to short-tailed nature of the Company's business, the performance of the Company's portfolio is sensitive mainly to changes in expected loss ratios. The Company adjusts its insurance tariffs on a regular basis based on the latest developments in these variables so that any emerging trends are taken into account.

Liability adequacy tests are carried out by the Company as follows

a) For most of the liability (e.g. in respect of motor and health business) for outstanding claims net of recoverable reinsurance, subrogation and salvage, an actuarial analysis is carried out in order to determine that the recorded liability (net of relevant assets) is adequate based on the current best estimates of future claims development. If the liabilities are not adequate they are increased through profit or loss.

b) For the liability for unexpired risks (the unearned premium reserve net of DAC) an actuarial estimate is carried out of the expected future loss ratio in respect of unexpired risks on in-force contracts. If the expected loss ratio implies that the unearned premium provision net of DAC is inadequate, the DAC is reduced, and if necessary the unearned premium reserve is increased, until it is adequate.

19 Loans and borrowings

	2015 GEL'000	2014 GEL'000
Loan from TBIH	**13,531**	**13,297**

Terms and conditions

'000 GEL	CCY	Nominal interest rate	Year of maturity	Carrying amount	Carrying amount
Loans from TBIH	EUR	5%+3 Month EURIBOR	2021	13,531	-
Loans from TBIH 1	EUR	8.0%	2016	-	4,292
Loans from TBIH 2	EUR	5%+12 Month EURIBOR	2015	-	4,886
Loans from TBIH 3	EUR	6.265%+6 Month EURIBOR	2018	-	4,119
				13,531	**13,297**

On 31 August 2015, a new loan agreement was concluded between the company and TBIH Financial Service Group N.V. According to the agreement, EUR 1,000 thousand was contributed to the charter capital of the company (see note 22). The carrying amount of the remaining borrowings were merged into one new loan.

20 Insurance and reinsurance payables

	2015 '000 GEL	2014 '000 GEL
Agents' and brokers' fees payable	163	585
Reinsurance premiums payable	5,230	6,601
	5,393	**7,186**

21 Deferred tax asset and liability

The tax rate applicable for deferred taxes was 15% (2014: 15%).

(a) Movement in temporary differences during the year:

’000 GEL	Balance 1 January 2015	Recognized in profit or loss	Balance 31 December 2015
Assets			
Property and equipment	214	(143)	71
Deferred acquisition costs	(156)	11	(145)
Other assets	358	(94)	264
Insurance and reinsurance receivables	969	40	1,009
Insurance and reinsurance payables	(50)	(3)	(53)
Other liabilities	18	(2)	16
Tax loss carry-forwards	554	(146)	408
Investment property	332	(118)	214
Net tax asset	**2,239**	**(455)**	**1,784**

’000 GEL	Balance 1 January 2014	Recognized in profit or loss	Balance 31 December 2014
Assets			
Property and equipment	372	(158)	214
Deferred acquisition costs	(72)	(84)	(156)
Other assets	468	(110)	358
Insurance and reinsurance receivables	939	30	969
Insurance and reinsurance payables	(69)	19	(50)
Other liabilities	14	4	18
Tax loss carry-forwards	473	81	554
Investment property	461	(129)	332
Net tax asset	**2,586**	**(347)**	**2,239**

(b) Unrecognized deferred tax assets:

The Company’s tax loss carry-forwards by expiration date comprise:

’000 GEL	2015	2014
2017	472	472
2019	82	82
2020	245	-
	799	**554**

As at 31 December 2015, deferred tax asset in respect of tax losses, amounting to GEL 391 thousand (note 10), have not been recognised, as it is not probable that future taxable profit will be available against which the Company can utilise the benefits there from.

22 Equity

(a) Share capital

On 24 November 2015, the Company changed its legal form from a limited liability company, whose charter capital is not divided into shares, to a joint stock company with an authorised and issued share capital of 11,916,250 shares having a par value of GEL 1 per share.

The holders of ordinary shares are entitled to receive dividends, as declared, from time to time.

In August 2015, the parent company loan with a carrying amount of EUR 1,000 thousand (GEL 2,511 thousand) was converted into the charter capital of the company (see note 19).

(b) Dividends

In accordance with Georgian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's separate financial statements prepared in accordance with IFRSs, which is the same as the Company's retained earnings.

No dividends were declared or paid during 2015.

23 Financial risk management

Management of risk is fundamental to the insurance business and is an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, which includes interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Company's risk management policies aim to identify, analyze and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Management also seeks to engage in currency forward contracts, to minimize its exposure to currency risk (see note 23 (d)).

The Supervisory Board of the Company has overall responsibility for the oversight of the risk management framework. The Management of the Company is responsible for the management of key risks, designing and implementing risk management and control procedures as well as approving large exposures.

Both external and internal risk factors are identified and managed throughout the Company's organizational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. Market risk comprises currency risk and interest rate risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

(c) Interest rate risk

The table below displays the Company's interest bearing assets and liabilities as at 31 December 2015 and 2014 and their corresponding average effective interest rates as at that dates. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	Value	Average Effective Interest Rate	Value	Average Effective Interest Rate
	2015	2015	2014	2014
	'000 GEL	'000 GEL	'000 GEL	'000 GEL
Interest bearing assets				
Loans issued				
- GEL	16	17%	18	17%
Placements with banks				
- GEL	409	10%	396	9%
- EUR	3,690	5%	3,798	5%
Interest bearing liabilities				
Loans and borrowings				
- EUR	13,531	6%	13,297	7%

Interest rate risk is the risk that movements in interest rates will affect the Company's income or the value of its portfolios of financial instruments.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

An analysis of sensitivity of the Company's projected net income for the year and equity to interest rate re-pricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2015 and 31 December 2014 is as follows:

Assets	**2015**	**2014**
	GEL'000	**GEL'000**
100 bp parallel increase	35	36
100 bp parallel decrease	(35)	(36)

Laibilities	**2015**	**2014**
	GEL'000	**GEL'000**
100 bp parallel increase	(115)	(113)
100 bp parallel decrease	115	113

Net

	2015	**2014**
	GEL'000	**GEL'000**
100 bp parallel increase	(80)	(77)
100 bp parallel decrease	80	77

(d) Currency risk

The assets and liabilities of the Company are denominated in more than one currency. If the assets and liabilities in one currency do not match, the Company has an open currency position (OCP) and is exposed to potentially unfavorable changes in exchange rates.

Management is responsible for continuously monitoring the development of exchange rates and foreign currency markets. The Company aims to close currency positions and ensures that an open currency position remains within the limits at all times.

As part of its risk management, the Company uses foreign exchange forward contracts to manage exposures resulting from changes in foreign currency exchange rates. Accordingly, at the start of each financial year, the Company concludes the agreement and hedged its EURO OPC with the nominal value of EUR 3,500 thousand, with an effective date of 31 December of each financial year.

The company's exposure to foreign currency risk, as at 31 December 2015 and 2014, were as follows:

	GEL	USD	EUR	Total
	'000 GEL	**'000 GEL**	**'000 GEL**	**'000 GEL**
Assets				
Other assets	1,776	986	-	2,762
Loans issued	16	-	-	16
Insurance receivables	4,530	8,830	220	13,580
Placements with banks	427	-	3,808	4,235
Cash and cash equivalents	502	6	342	850
Reinsurer's share of insurance contract provisions	10,940	3,024	46	14,010
Total assets	**18,191**	**12,846**	**4,416**	**35,453**
Liabilities				
Insurance contract provisions	21,945	3,330	58	25,333
Insurance and reinsurance payables	106	5,287	-	5,393
Other liabilities	440	62	126	628
Loans and borrowings	-	-	13,531	13,531
Total liabilities	**22,491**	**8,679**	**13,715**	**44,885**
Net position as at 31 December 2015	**(4,300)**	**4,167**	**(9,299)**	**(9,432)**
Net position as at 31 December 2014	**(1,834)**	**809**	**(9,336)**	**(10,361)**

An analysis of sensitivity of the Company's profit for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2015 and 2014 and a simplified scenario of a 10% change in USD and Euro to GEL exchange rates is as follows:

	2015	2014
	GEL'000	**GEL'000**
10% appreciation of USD against GEL	354	69
10% depreciation of USD against GEL	(354)	(69)
10% appreciation of EUR against GEL	(790)	(794)
10% depreciation of EUR against GEL	790	794

(e) Credit risk

The Company reinsures certain risks with reinsurance companies. The selection of reinsurance companies is based on criteria related to solvency and reliability and, to a lesser degree, diversification (the spreading of risk across counterparties).

The Company also has insurance and other receivable balances subject to credit risk. The most significant of these balances are premiums receivable. To mitigate the risk of policyholders not paying amounts due, all issued policies contain provisions that cancel the policy in the event of non-payment of the premium on the due date. Credit risk is also mitigated through strict underwriting criteria. For the insurance receivables aging, see note 15.

To mitigate the credit risk of placements with banks, the Company invests its funds with the top Georgian banks.

The Company's exposure to credit risk is monitored on an ongoing basis.

(f) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Company. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Company's liquidity positions are reviewed by the management on a daily basis.

The following tables show the undiscounted cash flows on financial liabilities on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability.

'000 GEL	Less than 1 year	1 year to 6 years	More than 6 years	Total gross amount outflow	Carrying amount
Liabilities					
Loans and borrowings	-	17,257	-	17,257	13,531
Insurance and reinsurance payables	5,393	-	-	5,393	5,393
Other liabilities	628	-	-	628	628
31 December 2015	**6,021**	**17,257**	**-**	**23,278**	**19,552**
31 December 2014	**12,977**	**10,024**	**-**	**23,001**	**21,270**

Management estimates that the timing of cash outflows from insurance contract liabilities does not exceed one year.

(g) Fair value of financial instruments

The Company estimates the fair value of financial assets and liabilities to be not materially different from their carrying values.

24 Capital management

The local insurance regulator has capital requirements for insurance companies. These requirements are put in place to ensure sufficient solvency margins. It is the Company's intention to meet these requirements. The total equity should not be less than GEL 1.5 million and the Company should have in cash and cash equivalents or bank placements at least 80% of this amount which equals to GEL 1.2 million.

The Company manages its capital requirements by preventing shortfalls between reported and required capital levels on a regular basis. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or inject further capital.

The Company was in compliance with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies and processes from the previous year for managing capital.

25 Contingencies

(a) Litigation

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(b) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after six years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Debt related commitments

As at 20 December 2015 the Company, together with its related party entities, became a party to the loan agreement, according to which the Company guaranteed the repayment of the loan, with the carrying amount of EUR 16,399 thousand, if Geo Hospitals LLC fails to meet its obligations, when they fall due.

The amounts of outstanding debt related commitments represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

As at 31 December 2015, no events of default under the agreement occurred and management believes that the probability of any of the counterparties failing to meet their contractual obligations under the agreement is remote. Therefore, no provision was recognised for the arrangement.

26 Related party transactions

(a) Control relationships

The Company's parent company is TBIH Financial Services Group N.V., which is controlled by VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna. The party with the ultimate control over the Company is Wiener Stadtische Wechselseitiger Versicherungsverein – Vermogensverwaltung – Vienna Insurance Group, Vienna.

(b) Transactions with the members of the Supervisory Board and Management Board

Total remuneration of the Supervisory Board and Management Board included in administration expenses is as follows:

	2015	2014
	'000 GEL	'000 GEL
Members of Supervisory Board and Management Board	432	398
Salary related taxes	108	80
Total remuneration	**540**	**478**

(c) Transactions with other related parties

Transactions with other related parties include transactions with associate and companies related to the parent company of the Company.

The outstanding balances and transactions as at and for the year ended 31 December 2015 and 2014 with other related parties are as follows:

	2015	2014
Separate statement of financial position	**'000 GEL**	**'000 GEL**
Assets		
Other assets (associate and fellow subsidiary)	221	393
Insurance receivable (fellow subsidiary)	347	167
Other income (fellow subsidiary)	560	37
Liabilities		
Loans and borrowings (parent)	13,531	13,297
Insurance and reinsurance payables (fellow subsidiary)	739	3,390
Insurance and reinsurance payable (intermediate parent)	528	1,243
Insurance and reinsurance payable (associate)	48	436

	2015	2014
	'000 GEL	'000 GEL
Separate income statement of profit or loss and other comprehensive income		
Gross premium written (fellow subsidiary and associate)	166	212
Written premium ceded to reinsurers (fellow subsidiary)	365	(5,125)
Interest expense (parent and intermediate parent)	(759)	(844)
Gross premium written (associate)	-	30
Claims paid (associate and fellow subsidiary)	(3,667)	(16,310)
Claims paid (fellow subsidiary)	(38)	(42)
Written premium ceded to reinsurer (intermediate parent)	(1,148)	(485)
Other expense (intermediate parent)	82	(99)
Currency forward contract (fellow subsidiary)	850	(452)
Rent income (fellow subsidiary)	240	202

27 Subsequent events

(a) Change in tax legislation

The Government of Georgia has announced its intention to move to the so-called Estonia Model of corporate taxation, which moves the moment of taxation from when taxable profits are earned to when they are distributed. Legislation is being drafted to go before Parliament in next two to three months. The introduction of this legislation could have a significant impact on the corporate tax profit of entities in Georgia. Based on current information, the new system of corporate taxation may not apply to not for profit organizations and the following financial institutions: banks, insurance companies, microfinance organizations, pawnshops. The Government is keen to make the law effective for tax periods starting after 1 July 2016.