Insurance Company Kopenbur JSC

Financial Statements for the period from 8 May 2014 (date of incorporation) to 31 December 2014

Contents

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Independent Auditors' Report

To the Shareholders
Insurance Company Kopenbur JSC

We have audited the accompanying financial statements of Insurance Company Kopenbur JSC (the Company), which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 8 May 2014 (date of incorporation) to 31 December 2014 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the period from 8 May 2014 (date of incorporation) to 31 December 2014 in accordance with International Financial Reporting Standards.

KPMG Georgia LLC

KPMG Georgia LLC
4 May 2015

LIMITED LIABILITY COMPANY 404437695

'000 GEL	Note	8 May 2014 (date of incorporation) to 31 December 2014
Gross premiums written	5	2,292
Written premiums ceded to reinsurers	5	(806)
Net premiums written		**1,486**
Change in the gross provision for unearned premiums	5	(1,927)
Reinsurers' share of change in the gross provision for unearned premiums	5	656
Net earned premiums		**215**
Claims settled, net of reinsurance	6	(179)
Change in outstanding claims, net of reinsurance	6	(57)
Net claims incurred		**(236)**
Subrogations and recoveries		5
Acquisition costs	7	(70)
Reinsurance commission income		30
Insurance activity result		**(56)**
Investment and other income		86
Administrative expenses	8	(615)
Loss before income tax		**(585)**
Income tax benefit	9	86
Loss and total comprehensive loss for the period		**(499)**

These financial statements were approved by management on 4 May 2015 and were signed on its behalf by:

Levan Koplatadze
General Director

Ana Kldiashvili
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 27.

'000 GEL	Note	31 December 2014
ASSETS		
Property and equipment	10	296
Intangible assets		31
Deferred tax asset	9	86
Deferred acquisition costs	7	237
Prepayments and other assets		58
Reinsurers' share of insurance contract provisions	11	677
Insurance and other receivables	12	1,646
Placements with banks	13	1,150
Cash and cash equivalents	14	318
Total assets		**4,499**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Insurance contract provisions	11	2,005
Insurance and reinsurance payables	15	814
Other liabilities	16	361
Total liabilities		**3,180**
Shareholders' equity	18	
Share capital		1,818
Accumulated losses		(499)
Total shareholders' equity		**1,319**
Total liabilities and shareholders' equity		**4,499**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 27.

'000 GEL	Note	8 May 2014 (date of incorporation) to 31 December 2014
Cash flow from operating activities		
Loss before income tax		(585)
Adjustments for:		
Depreciation	10	16
Investment and other income		(86)
Changes in:		
Deferred acquisition cost	7	(237)
Premium reserves, net of reinsurance		1,271
Outstanding claims, net of reinsurance		57
Insurance receivables		(1,304)
Other receivables		(262)
Prepayments and other assets		(58)
Reinsurance and other liabilities		1,175
Interest received		7
Placements with banks		(1,150)
Net cash used in operating activities		**(1,156)**
Cash flow from investing activities		
Acquisition of property and equipment and intangible assets		(344)
Net cash used in investing activities		**(344)**
Cash flow from financing activities		
Proceeds from issue of shares	18	1,818
Net cash from financing activities		**1,818**
Increase in cash and cash equivalents		**318**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	14	**318**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 27.

'000 GEL	Share capital	Accumulated losses	Total equity
Balance as at 8 May 2014 (date of incorporation)	-	-	-
Total comprehensive lossfor the period			
Loss for the period	-	(499)	(499)
Total comprehensive loss for the period	**-**	**(499)**	**(499)**
Transactions with owners, recorded directly in equity			
Issue of share capital	1,818	-	-
Balance at 31 December 2014	**1,818**	**(499)**	**1,319**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 8 to 27.

1 Reporting entity

(a) Organization and operations

Insurance Company Kopenbur JSC (the Company) is a Georgian joint stock company as defined in the Law on Entrepreneurs of Georgia and was incorporated on 8 May 2014.

The Company's registered office is 8 A. Tsereteli Avenue, Tbilisi, Georgia.

The principal activity of the Company is provision of different non-life insurance products. The Company operates under the insurance licence issued by the State Insurance Supervision Service of Georgia on 14 July 2014.

The Company is wholly owned by Maritime Overseas Partners Georgia LLC. The Company's ultimate controlling party is an individual, Franjo Vidicek.

(b) Georgian business environment

The Company's operations are 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 to develop, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Georgia. The financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of accounting

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 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 financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousand, except when otherwise indicated.

4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs 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. 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.

In the opinion of management, there are no critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and there are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for disclosure purposes.

Fair values are categorized 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 categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note 19 (a) - fair values of financial assets and liabilities.

5 Net earned premiums

'000 GEL 31 December 2014	**Motor insurance (Casco)**	**Property insurance**	**Other**	**Total**
Gross premiums written	2,102	154	36	2,292
Change in the gross provision for unearned premiums	(1,790)	(113)	(24)	(1,927)
Gross earned premiums	**312**	**41**	**12**	**365**
Less: written premiums ceded to reinsurers	(595)	(206)	(5)	(806)
Reinsurers' share of change in the gross provision for unearned premiums	510	145	1	656
Ceded earned premiums	**(85)**	**(61)**	**(4)**	**(150)**
Net earned premiums	**227**	**(20)**	**8**	**215**

6 Net claims incurred

'000 GEL 31 December 2014	Motor insurance (Casco)	Property insurance	Other	Total
Claims settled	(200)	(7)	(38)	(245)
Reinsurers' share of claims settled	55	1	10	66
Claims settled, net of reinsurance	**(145)**	**(6)**	**(28)**	**(179)**
Change in provisions for claims notified	(78)	-	-	(78)
Change in reinsurers share in claims notified	21	-	-	21
Change in insurance contract provision	**(57)**	**-**	**-**	**(57)**
Net claims incurred	**(202)**	**(6)**	**(28)**	**(236)**

7 Acquisition costs

'000 GEL	8 May 2014 (date of incorporation) to 31 December 2014
Insurance commission expense	178
Other acquisition costs	129
Total acquisition costs	**307**
Change in deferred acquisition costs	(237)
Acquisition costs for the period	**70**

8 Administrative expenses

'000 GEL	8 May 2014 (date of incorporation) to 31 December 2014
Professional fees	277
Salaries and bonuses	175
Office maintenance	109
Depreciation	16
Other	38
	615

9 Taxation

The Company's applicable tax rate is the income tax rate of 15% that approximates to the Company's effective tax rate.

'000 GEL	8 May 2014 (date of incorporation) to 31 December 2014
Deferred tax benefit	
Origination of temporary differences	86
	86

Movement in temporary differences during the period

'000 GEL	8 May 2014 (date of incorporation)	Recognised in profit or loss	31 December 2014
Property and equipment	-	(26)	(26)
Deferred acquisition costs	-	(23)	(23)
Other	-	(11)	(11)
Tax loss carry-forwards	-	146	146
Net deferred tax asset	-	**86**	**86**

There are no unrecognised deferred tax assets or liabilities, or taxes recognised directly in equity.

Management believes, that the recognized deferred tax asset of GEL 86 thousand as at 31 December 2014 is fully recoverable as the Company will have sufficient future taxable profits against which the Company can utilise the benefits there from when the Company's earnings are stabilized after the first two years of operations.

10 Property and equipment

'000 GEL	Furniture and equipment	Leasehold improvements	Total
Cost			
Balance at 8 May 2014 (date of incorporation)	-	-	-
Additions	172	141	313
Disposals	(1)	-	(1)
Balance at 31 December 2014	**171**	**141**	**312**
Accumulated depreciation			
Balance at 8 May 2014 (date of incorporation)	-	-	-
Depreciation for the period	10	6	16
Balance at 31 December 2014	**10**	**6**	**16**
Carrying amounts			
At 8 May 2014 (date of incorporation)	-	-	-
At 31 December 2014	**161**	**135**	**296**

11 Insurance contract provisions

'000 GEL	31 December 2014		
	Gross	Reinsurance	Net
Unearned premiums	1,927	(656)	1,271
Notified claims provision	78	(21)	57
Total insurance contract provisions	**2,005**	**(677)**	**1,328**

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

'000 GEL	Note	8 May 2014 (date of incorporation) to 31 December 2014
Balance at the beginning of the period		-
Gross premiums written	5	2,292
Gross earned premiums	5	(365)
Balance at the end of the period		**1,927**

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

'000 GEL	8 May 2014 (date of incorporation) to 31 December 2014
Balance at the beginning of the period	-
Expected cost of current year claims	319
Claims paid during the period	(241)
Balance at the end of the period	**78**

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. 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.

Management believes that as at 31 December 2014 there is not much uncertainty in establishing a provision for outstanding claims and it is likely that the final outcome will prove not to be materially different from the originally established liability as according to the Company's insurance policies all claims are reported on the same day when the loss event occurs and the major part of the outstanding claims as at 31 December 2014 were settled before the date these financial statements were authorized for issue.

12 Insurance and other receivables

'000 GEL	31 December 2014
Receivables arising out of direct insurance operations	1,347
Receivable from reinsurer	262
Other receivables	37
	1,646

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 an allowance on insurance and reinsurance receivables based on their aging analysis. The Company also makes specific provision when facts and circumstances suggest that a particular counterparty cannot pay. The major part of the receivables arising out of direct insurance operations are neither past due nor impaired at the reporting date (see note 19 (b) (ii)).

13 Placements with banks

'000 GEL	31 December 2014
Term deposits	**1,150**

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

Concentration of placements with banks

As at 31 December 2014 placements with banks were as follows:

'000 GEL	31 December 2014
Bank of Georgia	850
Bank Republic	300
	1,150

A term deposit of GEL 200 thousand with an annual interest rate of 6.75%, maturing on 17 June 2015, is restricted under the loan received by the Company's parent company.

14 Cash and cash equivalents

'000 GEL	31 December 2014
Petty cash	4
Bank balances	314
Cash and cash equivalents in the statement of financial position and the statement of cash flows	**318**

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

15 Insurance and reinsurance payables

'000 GEL	31 December 2014
Agents' and brokers' fees payable	82
Reinsurance premiums payable	732
	814

16 Other liabilities

'000 GEL	31 December 2014
Trade payables	179
Other payables	182
	361

17 Equity and capital management

(a) Share capital

Number of shares unless otherwise stated	31 December 2014
Par value	GEL 1.818
On issue, fully paid	1,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(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 statutory financial statements prepared in accordance with IFRSs.

(c) 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 and placements with banks 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 period.

18 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 motor, property, engineering, cargo, freight forwarders liability 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 reinsurance of risk concentrations, underwriting limits, approval procedures for transactions 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 Company's insurance risk management policies. 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 buys Excess-of-Loss ("XL") based reinsurance to reduce the net exposure for property, engineering, cargo, freight forwarders liability insurance policies. The Company also buys reinsurance treaties for all 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 recoverable 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's net exposure to insurance risk from the future uncertain adverse event equals to 70% and 50% of the total claim for motor and all other insurance contracts respectively.

(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) 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 includes short tail coverage. Claims that are typically made 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, if any, 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 current experience. The Company reinsures its Casco risks by quota share reinsurance treaty contracts, which limit the Company's exposure to 70% of the ultimate net loss for each and every loss occurrence.

(ii) Property insurance

Product features

The Company writes property insurance. This is comprised of corporate 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. 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 quota share reinsurance treaty and excess of loss treaties.

(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 and property 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.

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 mainly from public rating information and also through internal investigations.

19 Fair values and risk management

(a) Fair value of financial assets and liabilities

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

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

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

ÿFinancial risk management

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

(i) Risk management framework

The Supervisory Board together with the management has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies and reporting regularly to the shareholders on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. 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.

The shareholders oversee how the Supervisory Board together with the management monitors compliance with the Company's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Company.

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument or insurance contract fails to meet its contractual obligations, and arises principally from the Company's insurance and reinsurance receivables, placements with banks and cash and cash equivalents.

The Company reinsures certain risks with the reinsurance companies. The selection of reinsurance companies is based on criteria mainly related to solvency, reliability and creditworthiness of the counterparty.

To mitigate the credit risk related to the insurance receivables, the Company has developed a strict underwriting criteria. As at 31 December 2014 more than 95% of the insurance receivables was neither past due nor impaired and as at the date these financial statements were authorized for issue, mainly all the policyholders are paying amounts due as at 31 December 2014 according to the agreed terms prescribed in the insurance policies.

To mitigate the credit risk related to placements with banks and cash and cash equivalents, the Company invests its funds with the top Georgian banks.

(iii) 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 honour all cash flow obligations as they become due. The Company's liquidity positions are reviewed by the management on a daily basis.

Liquidity risk arises principally from the Company's insurance and reinsurance payables and other liabilities the timing of cash outflows from which does not exceed one year.

(iv) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company does not apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Company is exposed to currency risk mainly on insurance receivables and payables denominated in USD and EUR. The Company's exposure to foreign currency risk was as follows:

'000 GEL	EUR-denominated 31 December 2014	USD-denominated 31 December 2014
Insurance and other receivables	289	1,240
Other liabilities	-	(82)
Insurance and reinsurance payables	(732)	-
Net exposure	**(443)**	**1,158**

The following significant exchange rates have been applied during the period:

in GEL	Average rate 8 May 2014 (date of incorporation) to 31 December 2014	Reporting date spot rate 31 December 2014
USD 1	1.7735	1.8636
EUR 1	2.3142	2.2656

Sensitivity analysis

A reasonably possible strengthening / weakening of the GEL, as indicated below, against USD and EUR at 31 December 2014 would have affected the measurement of financial instruments denominated in USD and EUR and affected profit or loss after taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

'000 GEL	Strengthening Profit or (loss)	Weakening Profit or (loss)
31 December 2014		
USD (20% movement)	(197)	197
EUR (10% movement)	38	(38)

(v) Interest rate risk

Changes in interest rates impact primarily loans and receivables by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt).

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

'000 GEL	Carrying amount
	31 December 2014
Fixed rate instruments	
Placements with banks	1,150
	1,150

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

20 Contingencies

(a) 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

21 Related parties

(a) Parent and ultimate controlling party

The Company's immediate and ultimate parent company is Maritime Overseas Partners Georgia LLC. The Company's ultimate controlling party is an individual, Franjo Vidicek.

No publicly available financial statements are produced by the Company's parent company or the ultimate controlling party.

(b) Key management remuneration

'000 GEL	8 May 2014 (date of incorporation) to 31 December 2014
Salaries and bonuses	33

22 Basis of measurement

The financial statements have been prepared on the historical cost basis.

23 Significant accounting policies

Set out below are the accounting policies that have been applied in preparation of these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to GEL at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated 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 retranslation are recognised in profit or loss.

(b) 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, security price, commodity price, foreign exchange rate, index of prices or rates, a 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 received 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 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)

Acquisition costs, representing commissions paid to insurance agents and brokers and other costs directly related to acquisition are deferred and amortized over the period in which the related written premiums are earned, to the extent that these costs are recoverable out of future premiums. Deferred acquisition costs are reduced by commissions due on impaired insurance policies related to future periods.

(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.

(c) Financial instruments

The Company classifies non-derivative financial assets into the loans and receivables category.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

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

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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.

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

Loans and receivables

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held with banks with maturities of three months or less.

(ii) Non-derivative financial liabilities - measurement

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.

(iii) 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.

(d) 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. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

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 within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful life of significant items of property and equipment varies from 5 to 10 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor will enter bankruptcy;
- economic conditions that correlate with defaults.

Financial assets measured at amortised cost

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 assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 against receivables. 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.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Income tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

24 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 2014, and have not been applied in preparing these 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 financial statements resulting from the application of IFRS 9.

Various Improvements to IFRS are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2015. The Company has not yet analysed the likely impact of the improvements on its financial position or performance.