TSODNISA

AUDIT CONCERN

JS Insurance Company Tao

Financial Statements

With Independent Audit Opinion on the accounting period

ending on December 31, 2016

CONTENTS

Management's responsibility

The Management is responsible for preparation of financial statements, which must fairly represent the financial position of the Company, operating results, cash flows and and changes in equity for the year ending on December 31, 2016, in accordance withInternational Financial Reporting Standards (IFRS).

While preparing Financial Statements the Management is responsible for:

- Choosing and consistent abiding to the correct principles of accounting;
- Presenting of information, including accounting policies that enable correct, reliable, comparable and understandable information;
- Taking correct and reasonable decisions on judgements and appraisals;
- Preparing financial Statements based on continuity assumption, unless it is impossible due to the circumstances.

The Management is also responsible for:

- Developing, implementing and maintaining effective and stable internal control system;
- Maintaining such accounting records that at any time enable presenting of financial position of the company with sufficient accuracy, as well as compliance of Financial Statements with IFRS;
- Maintaining mandatory accounting records in accordance with the Georgian Law and Accounting Standards;
- Taking necessary actions to secure the assets of the company; and
- Revealing and avoiding fraud, errors or other breaches.

Financial Statements for the year ended on December 31, 2016, are approved by the Management and signed on their behalf:

Director---Lasha Khakhutaishvili

Chief Accountant---Ketevan Gogokhia

JSC Insurance Company Tao · 202408386

Auditing Concern "TSODNISA" Ltd
41,Vazha-Pshavela ave., Tbilisi, Georgia. Identification code 211344188
Tel.: 239-33-50 E-mail: info@tsodnisa.ge

Independent Auditor's Opinion

Independent Auditor – Audit Concern "Tsodnisa" LTD has audited the accompanying financial statements of the **JS Insurance Company "Tao"** (hereinafter – Company). Financial Statements included the statements of financial position as of December 31, 2016, statements of profit and loss and other comprehensive income, statements of changes in equity and cash flow statements for the accounting period, main principles of accounting policies and explanatory notes.

Management's responsibility for the Financial Statements

The Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: developing and implementing the internal control system that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, in such a form that would convince us in fairness of the accounting statements. The Standards of Auditing require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing certain procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's considerations and professional judgment, including the assessment of the risk of material misstatements of the financial statements whether due to fraud and/or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Management and the accuracy of accounting records, as well as evaluating the overall presentation of the financial statements.

We believe that the audit gives us sound basis to express our opinion.

Opinion

In our opinion, the financial statements of **JS Insurance Company "Tao"** for the year 2016 in every main aspect give a true and fair view of the financial position of the Company, income and expenses, and cash flows as of December 31, 2016.

Audit Concern "Tsodnisa" LTD
General Director, Certified Auditor

George Tsertsvadze
05.04.2017

Statements of Profit and Loss and other Comprehensive Income

For the year ended on December 31, 2016

(1GEL)

	Note	2016	2015
Gross premium written		56 357	403 410
Change in the unearned premium provision		200 429	774 371
Reinsurance expense		-	(454 670)
Net earned insurance premium:	5	**256 786**	**723 111**
Insurance claims	6	(84 108)	(344 585)
Reinsurers' share in claims		-	36 890
Agents and brokers commission		(8 548)	(10 745)
Impairment charge		262 146	(208 045)
Other income from insurance operations	7	9 810	11 847
Reinsurance commission income		-	43 875
Change in incurred but not reported claims provision		2 719	79 873
Change in reported but not settled claims provision, reinsurers' share		(11 552)	11 552
Change in incurred but not reported claims provision, reinsurers' share		64 841	12 745
Income (Loss) from insurance operations:		**492 094**	**356 518**
Administrative costs	8	(92 592)	(402 985)
Total operational income:		**399 502**	**(46 467)**
Financial income	9	694 059	553 180
Foreign exchange translation income/(loss)		(35 289)	(5 183)
Other non-operational income/(loss)	10	1 010	149 000
Income before tax:		1 059 282	650 531
Income tax expense	11	(162 701)	(223 276)
Income (Loss) for the period		896 581	427 255
Total comprehensive income (loss) for the year		**896 581**	**427 255**

Financial Statement is approved on April 5, 2017 by:

Director-- *Lasha Khakhutaishvili*

Chief Accountant-- *Ketevan Gogokhia*

JSC Insurance Company Tao 202408386

The accompanying notes on pages 9 to 41 inclusive are an integral part of the present financial statements.

Statement of Financial Position
as of December 31, 2016
(1GEL)

	Note	31.12.2016	31.12.2015
Assets:			
Cash and cash equivalents	12	3 724 682	3 507 043
Current insurance receivables	13	124 572	302 349
Other current receivables	14	10 575	6 000
Loans issued	15	2 429 728	2 294 179
Financial assets	16	165 288	-
Advances and prepaid taxes	17	95 556	124 859
Reinsurers' share in reported but not settled claims provision		-	11 552
Interest, dividends, etc.	18	377 728	63 720
Fixed assets		-	1 180
Intangible assets		1 000	1 000
Deferred tax asset	19	-	31 579
Total assets:		*6 929 128*	*6 343 460*
Liabilities:			
Reinsurance payables	20	370 574	335 306
Taxes and other current payables	21	83 044	161 235
Incurred but not reported claims provision	22	5 917	8 636
Reported but not settled claims provision		155 319	220 160
Deferred income	23	116 852	317 281
Total liabilities:		*731 705*	*1 042 617*
Equity			
Share capital		2 500 000	2 500 000
Retained earnings / (accumulated loss)		3 697 423	2 800 843
including earning (loss) for the current year		896 581	427 255
Total equity:		*6 197 423*	*5 300 843*
Total equity and liabilities:		*6 929 128*	*6 343 460*

Financial Statement is approved on April 5, 2017 by:

Director-- *Lasha Khakhutaishvili*

Chief Accountant-- *Ketevan Gogokhia*

JSC Insurance Company Tao · 202408386

The accompanying notes on pages 9 to 41 inclusive are an integral part of the present financial statements.

Statement of Cash Flows
for the year ended on December 31, 2016
(1 GEL)

	2016	2015
Cash flows from operating activities		
Insurance premium received	404 831	766 238
Reinsurance premium paid	-	(377 885)
Claims paid	(84 108)	(344 334)
Reinsurance claims received	-	3 980
Salaries paid	(29 050)	(161 417)
Agents and brokers commission	(6 639)	(13 089)
Communication costs and utilities	-	(966)
Audit and consulting	(19 383)	(57 233)
Rental paid	-	(183 139)
Income tax paid	(101 819)	(279 303)
Taxes paid, other than income tax	(8 703)	(45 350)
Cash flows from other operating activities	(16 566)	(10 552)
Net cash flows from operating activities:	*138 564*	*(703 049)*
Cash flows from investing activities		
Loans issued	(1 800 000)	(2 850 000)
Proceeds from repayment of loans issued	1 760 000	740 000
Interest received from deposits	201 027	347 076
Interest received from loans issued	68 186	-
Securities purchased	(150 000)	-
Net cash flows from investing activities:	*79 213*	*(1 762 924)*
Cash flows from financing activities:		
Net cash flows from financing activities:	-	-
Foreign exchange translation income (loss)	(137)	1 093
Net increase in cash and cash equivalents:	*217 639*	*(2 464 881)*
Cash balance, beginning of period:	3 507 043	5 971 923
Cash balance, ending of period:	*3 724 682*	*3 507 043*

Financial Statement is approved on April 5, 2017 by:

Director---*LashaKhakhutaishvili*

Chief Accountant--*KetevanGogokhia*

JSC Insurance Company Tao · 202408386

The accompanying notes on pages 9 to 41 inclusive are an integral part of the present financial statements.

Statement of Changes in Equity
for the year ended on December 31, 2016

(1GEL)

	Share capital	Issued capital	Revaluated reserves	Accumulated income (loss)	Total:
Balance at 31 December 2014	2 500 000	-	-	2 373 588	4 873 588
Increase (decrease) of share capital	-	-	-	-	-
Income (loss) for the current period			-	427 255	427 255
Balance at 31 December 2015	2 500 000	-	-	2 800 843	5 300 843
Increase (decrease) of share capital	-	-	-	-	-
Income (loss) for the current period	-	-	-	896 581	896 581
Balance at 31 December 2016	2 500 000	-	-	3 697 423	6 197 423

Financial Statement is approved on April 5, 2017 by:

Director-- *LashaKhakhutaishvili*

Chief Accountant-- *KetevanGogokhia*

The accompanying notes on pages 9 to 41 inclusive are an integral part of the present financial statements.

Explanatory notes for the Financial Statements of the year 2016

1. General Information

JS Insurance Company Tao (hereinafter – Company) was registered on August 22, 2007 by the Tbilisi Tax Inspection, Identification Code 202408386, legal address: 3 Pushkin street, Old Tbilisi district, Tbilisi. Registration was performed in accordance with the Georgian Law “On Entrepreneurs”. On December 22, 2015, in accordance with the Georgian Law “On Insurance”, Insurance Company Tao LTD changed its legal status and became JS “Insurance Company Tao”.

The Company is not subject to VAT tax. Until May 1, 2015 the founder and 100% shareholder of the Company was JS “Privatbank Georgia”. On May 1, 2015 100% share of the Company was acquired by JS “Insurance Company Aldagi”. As at December 31, 2016, JS “Insurance Company Aldagi” was the partner and 100% shareholder of the Company. The share capital of the Company is GEL 2 500 000.

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

2. Georgian business environment

The Company’s operations are in Georgia, so the Company is exposed to economic factors and financial markets of Georgia. The legal, tax and regulatory frameworks continue development. There are questions subject to varying interpretations and frequent changes, which contributes to the challenges faced by the entities operating in Georgia.

3. Basis of preparation

These individual financialstatementsof JS Insurance Company Tao for the year 2016, havebeenpreparedinaccordancewithInternationalFinancialReportingStandards(IFRS),asissuedbytheInternationalAccountingStandardsBoard and approved in the European Union.

These Financial Statements have been prepared under continuity assumption and historical cost convention.

The Company is required to prepare financial statements in GEL, in accordance with International Financial Reporting Standards. Financial Statements of the Company are presented in figures rounded to 1 (one) GEL, as the majority of operations are performed in GEL. Operations in other currencies are regarded as operations in foreign currency. The Company presents its statement of financial position broadly in order of liquidity.

Preparation of the financial statements in accordance with IFRS requires from the Management to make assumptions, estimations and considerations that have impact on the use of accounting policies, as well as on the reported amounts of assets and liabilities, income and expenses, contingent assets and liabilities. The actual result may differ from the above estimations. Estimations and assumptions are continuously reviewed. Changes in estimations are made in the period when the estimations were reviewed and in the consequent periods.

4. Summary of Significant Accounting Policies

Accounting policies, according to which Financial Statements have been prepared are given below.

Investments in subsidiaries and related companies

Subsidiaries are the entities in which the Company has power to exercise control over their operations.

Related companies are the entities in which the Company has significant influence (but not control). Significant influence is considered when one company owns from 20% to 50% of voting rights in another company. Investments in the related companies are carried as cost minus impaired loss.
As at December 31, 2016, JS Insurance Company Tao had no subsidiaries or related companies.

Insurance Contracts

Insurance cotracts are defined as those containing significant insurance risk accepted by the Company from the other party, where the Company undertakes to reimburse the Insured or other

Beneficiary in case of some umpredictable adverse event (“Insurance Event”) that has negative impact on the Insured or any other Beneficiary.

Contracts of financial guarantees are classified as insurance contracts.

Recognition and measurement of the contracts

Premiums

Gross Premium Written includes premiums written during the year, despite whetehr they fully or partially correspond to the last accounting period.Premiums are expressed including commissions to intermediaries. Earned part of the premium is recognized as income. Premium is earned daily, from the moment of policy inception, during the insurance period. Reinsurance premium is recognized as expense, also on the daily basis. A part of reinsurance premium not recognized as expense, is recognized as advances.

Policy Cancellation

Policy is cancelled in case of evidence that the Policyholder has no wish or ability to continue paying the insurance premium provided by the Policy. Thus cancellation mainly does not affect the Policies providing for payment of premium in installments during the policy period.

Unearned Premium Reserve

Unearned Premium Reserve includes the part of the Gross Premium Written, which is expected to be earned during the subsequent years. It is estimated daily per each insurance contract.

Insurance Claims Provision

Net Claims Incurred include all claims paid during the accounting year, together with change in outstanding claims reserve. Provision for Outstanding claims includes ultimate cost of all claims reported but not settled, as well as all claims incurred but not reporetd by the reporting date, together with the claims hadling costs.

Outstanding Claims Provision is estimated based on individual claims reviews and calculation of the Incurred but Not Reported Claims Provision, with consideration to internal and external predictable events, such as changes in claims hadling costs, past experience and trends. The liability is not discounted by the time value of money. Recoveries from reinsurers and subrogation for the previous years are recognized in individual financial statements as an asset. Reinsurance and subrogation recoveries are derecognized in the same way as outstanding claims.

Adjustments to the previous years claims provisions are expressed in the financial statements for the priod when the adjustments were made. In case of substantial adjustments, the separate explanations are given. Methods and measurements are regularly updated.

Reinsurance

The Company cedes reinsurance risk in the normal course of business, in order to limit the amount of possible net loss by means of partial ceding of risk to reinsurers. The reinsurer's obligations does not relieve the Company from its direct obligations to the Policyholders.Reinsurer's share in premium and claims is shown in Profit or Loss and in Statement of Financial Position as gross amounts. Reinsurance Assets include reinsurance receivables of reinsured liabilities. Amounts receivable from reinsurers correspond to the outstanding claims provision and paid claims associated with reinsurance policies.

Reinsurance premium received is recognized similarly to the written premium, with consideration to the insurance products and lines of business.

Amounts recovered based on reinsurance contracts are reviewedat the day of establishing a Statement of Financial Position on Impairment. Such assets are considered impaired, if objective evidence exists that after initial recognition of incurred claim, the Company may not recover outstanding amounts and when the impact on the amounts that the Company will receive from reinsurers can be measured reliably. Only those contracts are considered reinsurance assets, which provide for risk cession. The contracts that do not provide for risk cession are recorded as financial instruments.

Deferred acquisition costs

The commission costs to insurance agents and brokers incurred during the financial period arising from the writing or renewing of insurance contracts aredeferred to the extent that these costs are recoverable out of future earned premiums. All other acquisition costs are recognised as anexpense when incurred.Subsequent to initial recognition, deferred acquisition costs for general insurance and health products are amortisedover the period in which the related revenues are earned.

Liability adequacy test

At each balance date liability adequacy test is performed in order to secure the adequacy of unearned premium less any deferred acquisition cost assets, per each line of business. The test is based on estimated cash flows and investment income directed to claims settlement and policy administration. In case of any deficiency, the corresponding deferred acquisition cost and intangible asset shall be impaired, and additional provision (unexpired risk provision) shall be established if needed. The difference is recognized in annual profit or loss.

Initial recognition of Financial Assets

Financial assetsinthescopeofIAS39areclassifiedaseitherfinancialassetsatfairvaluethroughprofitorloss,loansissued andreceivables,held-to-maturityinvestments,oravailable-for-salefinancialassets,asappropriate.TheCompanydeterminestheclassificationofitsfinancial assets upon initial recognition and may later reclassify them in cases given below.

Date of recognition

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Companycommits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery ofassets within the period generally established by regulation or convention in the marketplace.

Loans issued and Receivables

Loans issued and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted inan active market. These instruments are not designed for urgent or short term resale and are not classified as trade securities or investment securities for sale. These assets are carried at amortized cost, using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized orimpaired, as well as through the amortization process.

Reclassification of Financial Assets

If non-derivative financial instruments classified as available-for-sale is not in the near future planned for sale, they can be reclassified at fair value with gains and losses being recognized, in the following cases:

• Financial Asset falling in the category of Loans and Receivables, may be reclassified as such, if the Company has a wish and ability to maintain such assets for a certain period until the maturity;
• In rare cases, other financial assets may be reclassified as abailable-for-sale or held-to-maturity.
Available-for-sale financial assets financial assets falling in the category of Loans and Receivables may be reclassified as such, if the Company has a wish and ability to maintain such assets for a certain period until the maturity;
- Financial Assets may be reclassifies at fair value on the day of reclassification, without changes in recognized profit or loss. Fair value on the date of reclassification is either a new value or amortized value.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired or whether there are objective signs of impairment. Financial asset or group of financial assets is deemed impaired, if there is a sound reason of impairment due to some event(s) that occurred after the initial recognition of the asset ("loss occurrence") and such event(s) had effect on estimated future cash flow of financial asset or group of financial assets that can be reliably measured.

Derecognition of financial assets and liabilities

Financial Assets

A financial asset (or, when applicable, a part of financial asset or a part of a group of similar financial assets) is derecognized when:

• the rights to receive cash flows from the assets have expired;

• the Company has transferred the rights to receive cash flows from the asset, or has retained these rights nut has assumed the obligation to pay the received cash flows in full without material delay to third parties; and

• the Company (a) has transferred all the risks and rewards of the asset; (b) neither transferred nor retained all the risks and reward of the asset, but has transferred the control of the asset.

A financial liability is derecignized when it is covered, cancelled or expired.When one financial liability is replaced by another financial liability to the same creditor but on significantly changed conditions, or if the conditions of the current financial liability is significantly changed, such change or modification is recognized as cancellation of initial liability and recognition of a new liability through profit or loss.

Cash and cash equivalents

The Company cash flows are represented by sales of policies/contracts and purchase of reinsurance contracts, as operational cash flows, while the operations of the Company are related to insurance activities. Cash and cash equivalents for the Company is cash on current bank accounts, bank deposits and deposit certificates.

Paid advances

Advances paid to the suppliers of goods or services are initially recognized as paid amounts and then impaired if applicable. Advances are impaired when objective evidence exists that the Company will not fully receive the goods or services provided by the contract signed with the suppliers.

Advances paid for current assets or services, which are short-term operating expenses, are classified as current assets. All other advances, for example, advances paid for long-term assets, are classified as long-term and are included in the corresponding section of the Statement of Financial position.

Insurance and other current receivables

Insurance receivables are recognized based upon the insurance conracts/policies/reinsurance contracts and measured at contract amount (value). Book value of insurance receivables is impaired when the circumstances give evidence that the book value may not be recovered. Impairment is recognized through the statements of profit and loss and comprehensive income.

Reinsurance receivables include the amounts due from insurers and reinsurers within their accepted insurance liabilities. Reinsurance premiums are recognized in the same way as income from direct insurance operations. Amounts paid to reinsurers are recognized based on reinsurance contracts.

Analysis of impairment is made for each reinsured asset, when the risk of impairment appears. Reinsurance receivables are impaired in case of evidence that the Company may not receive all the amounts due to it under the reinsurance contracts and this can be reliably measured.

Other receivables are comprised from all the other non insurance receivables, other than advance taxes and costs.

Impairment insurance and other receivables are included in the Statement of Profit and Loss.

Fixed Assets and Intangible Assets

Fixed assets and intangible assets are carried at their purchase (historical) valueб with accrued depreciation using the declining balance method, according to the duration of their useful life expectancy:

Motor transport – 5 years;
Computers and communication facilities – 5 years;
Furniture and other inventory – 5 years;
Intangible assets with indefinite useful life – 7 years;
Fixed assets start depreciation from the month they are put in operation or are ready to be put in operation.

Impairment of book value of fixed assets is possible when due to certain events or circumstances the book value may not be reinstated. Allowance is recognized through profit and loss and comprehensive income statement.

Any surplus in revaluation of the fixed assets is added to the revaluation reserve of fixed assets included in equity, unless this will cause the reversion in reduction of revaluation of those assets, which were previously recognized in profit-and-loss and comprehensive income statements. In such case the increase will be recognized in consolidated profit-and-loss and consolidated income statements. Any shortcoming in revaluation is recognized in consolidated profit-and-loss and consolidated income statements, unless when such shortcoming, which directly annuls the surplus of the same asset, is annulled by the surplus in the revaluation reserve of the fixed assets.

Fixed assets revaluation reserve is recognized in retained eranings for the difference between the depreciation based on book value and depreciation based on initial value. At the same time, accumulated depreciation at the date of revaluation is deducted from the total book value of the asset and the revaluated asset is newly recognized at its fair value. In case of sale, any revaluation reserve related to the sold asset shall be transferred to the retained earnings.

Repair and renovation costs are recorded as incurred and included in other operating expenses, if there is no ground for their capitalization.

Fixed assets are written off after their sale or when future financial rewards from sale or use are no more expected.Any loss or gain following their writing off (calculated as the difference between the net profit from sale and the book value of the asset) is recognized in profit and loss and comprehensive income statements for the period when the asset was written off.

Inventories

Inventories are carried at the lower of average cost of market. Cost of inventories is determined based on weighted average and includes the expenses related to the purchase and transportation of inventories. Cost of ready products and current production includes corresponding share of overheads based on ordinary output, but excluding loans.

Net sales value is the estimated sales price in the ordinary course of business, less estimated cost of completion and estiamted sales expenses.

Insurance Liabilities

General insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and theprovision for premium deficiency. General business contract liabilities are based on the estimated ultimate cost of all claimsincurred but not settled at the reporting date, whether reported or not, together with related claims handling costs.

The liability is calculated at the reporting date based onempirical data and current assumptions. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires,is discharged or is cancelled.

The provision is recognised when contracts are entered into and premiums are charged, and is brought to account aspremium income over the term of the contract in accordance with the pattern of insurance service provided under thecontract. At each reporting date the Company reviews its unexpired risk and based onliability adequacy test determines the excess of estimated claims and deferred acquisition costs over the unearned premium.

Current Liabilities

Current liabilities are liabilities acrrued to the goods/services rendered.

Taxation

Income tax expense includes current and deferred income tax expenses. A part of the income tax directly related to the equity is recognized in equity sections.

Current income tax is determined based on income and current tax rate.

Deferred tax is calculated in respect of temporary differences between the assets (liabilities) according to International Financial Reporting Standards and assets (liabilities) according to the Tax Code, using the liability method.

Deferred taxes in accordance with International Accounting Standard (IAS) #12.47, are calculated at current tax rates or tax rates that are expected to apply to the period when the Company becomes liable to realize (settle) the deferred asset. Apart of that, in case of any reward from the tax liabilities of the Company that can be deferred to the future period, this reward (deferred asset) will also participate in calculation of the deferred tax. Deferred tax is not determined only in case when the reward from such tax cannot be used.
In 2016 income tax rate in Georgia was 15%.

Income recognition

Income is recognized in the statement of profit and loss and comprehensive income, id the total financial income during the period originates in theregular course of business, is realibly measurable and contributes to the equity without additional investments from the owners.

Recognition of insurance income

Insurance contracts/policies are defined as contracts/policies involving significant insurance risk from the moment of contract/policy inception. Insurance risk is dependent on on the probability of the insured event and the severity of its result. Agter the contract is recognized as insurance contract, it will be regarded as such througout its whole effective period (unless calcelled/terminated), even i case the insurance risk gets significantly reduced.

The Company earns income through sales of different types insurance contracts/policies.The income of the Company received from insurance contracts/policies is recognized as earned income on a pro-rata basis over the period of the related insurance contract/policy or bank guarantee coverage. Premiums written are recognized as revenue in full upon policy or bank guarantee inception, and then distributes this revenue equally for the corresponding period (number of days).

Other income

Other income of the Company is interest accrued to the deposits placed Georgian commercial banks, issued loans, securities and promissory notes. The interest income is recognized for the period when the income was received, through profit and loss statement.

Deferred income

The Company deferrs income for the future period and recognizes it in the balance sheet (statement of financial position). A part of insurance premium attributable to the future period is deferred as unearned premium. Changes in the unearned premium provision is recognized in profit and loss and comprehensive income statements in such a way that the revenue is recognized for the risk period or pro-rate to the estimated future income.

Recognition of expenses

The Company bears expenses in the course of business, and also other expenses not related to the core business. Expenses are recognized in profit and loss statement, if the future financial gain is reduced due to the decrease of assets or increase of liabilities, which can be reliably measured.Expenses are recognized in profit and loss statement, based on direct comparison of income and expenses, according to the given revenue items. If financial reward is expected within several reporting periods and the relation to the income can be fully or partially revealed, then the expense shall be recognized in the statements of profit and loss and comprehensive income, using the method of efficient allocation. Expenses are immediately recognized in profit and loss and comprehensive income statements if such expenses do not generate future economic gain or if the future financial gain does not correspond or has stopped corresponding the criteria of being recognized as an asset in the balance sheet.

Other non insurance expenses

The Company recognizes other non insurance expenses immediately upon incurring and allocates them to the corresponding period.

Insurance provisions

Establishing of insurance provisions is regulated by the Insurance Supervising Service. At December 31. 2016 the Company had established all the three reserves provided by the Georgian Law: unearned premium provision, reported but not settled claims provision and incurred but not reported claims provision.

Reported but not settled claims provision comprises of two parts: claims reported through documents (invoices), and claims the amount of which is not documentally confirmed but can be otherwise realiably assessed.

Assumptions used in assessment of insurance assets and liabilities are aimed to secure sufficient amounts of provisions to cover liabilities arisen under insurance contracts within their reasonable interpretation. However, the result may be different from the insurance provision, while it is impossible to establish ultimate provisions with adequate accuracy. Provisions are established for the reporting date in the amount of incurred claims (whether reported or not), including claims settlement expenses and less the amount of claims paid. Claims reserves are not discounted.

New standards issued and not yet adopted

The standards and interpretations that are issued, but not yet effective by the date of issuance of the Company's financial statements which may have impact on the Company's financial statements are disclosed below. The Company plans to adopt those standards as soon as they become effective.

There is a number of standards, interpretations and amendments issued by IAS, which will enter in force after this reporting period.The most important of these are:

New accounting standards and amendments, issued but not yet adopted:

AASB 2016-1 recognistion of the deferred tax assets for the loss not realized, January 1, 2017.
AASB 2016-2 disclosure initiative: AASB 107 amendments January 1, 2017.
AASB 9 financial instruments January 1, 2018.
AASB 15 income from contracts with clients, January 1, 2018.
AASB 2014-10 sales or contribution of assets between an investor and its associates or joint ventures, January 1, 2018.

AASB 2016-5 classification and measurement of share-based payment transcation, Jabuary 1, 2018.
AASB 2016-6 AASB 9 financial instruments and AASB 4 insurance contracts, January 1, 2018.
AASB 16 leasesJanuary 1, 2019.

– IFRS 9: „financial instruments"; is effective for the periods starting on or after January 1, 2018. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and brings together classification, measurement and recognition of financial assets and liabilities, 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. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9, however such significant impact is not anticipated.

– IFRS 15: „Revenue from Contracts with Customers" is effective for the periods starting on or after January 1, 2018.It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes, and establishes a comprehensive framework as to how, in what amount and when the income is to recognized, by means of introducing a five-stage model. Based on initial estimations, the adoption of these amendments and interpretations will not have significant impact on the operating results, financial position or disclosed information of the Company.

– IFRS 16: „Leases"; is effective for the periods starting on or after January 1, 2019. The new standard replaces IFRS 17 "Leases" and introduces significant changes in a way in which the lessees account for lease, which requires to recognize a "right to use" asset and corresponding financial liability on the balance sheet in the amount of current values of the of the initially assessed lease payments. The new guidance also expands the qualitative and quantitative disclosures of the lease. This will cause recognition of the majority of leases in the balance sheet, which recognizes a new category of "right to use" assets and liabilities based on discounting of future lease payments.

Leases („ASU 2016-02"). According to the changes, the lessee must recognize a "right to use" asset and lease liability in the balance sheet, in case of leases with the period of 12 months or longer. The leases shall be classified according to financial or operating classification that will have effect on recognition of expense in the profit and loss statement. ASU 2016-02 is effective for public business entities for the fiscal years starting from December 15, 2018, including interim periods within those fiscal years. The Company is currently assessing the potential impact on its financial statements resulting from the application of ASU 2016-02.

In August 2016 FASB issued ASU 2016-14, a presentation of financial statements for not-for-profit legal entities, introducing target changes in non-commercial financial statements model. The new ASU indicates the completion of the first stage of a large project, with the purpose to improve non-commercial financial statements. According to the new ASU, accounting of net assets will be improved and simplified.

In March 2016 FASB issued ASU 2016-09, „Stock Compensation (Topic 718): improvements to employee share-based payment". The standard introduces several aspects of accounting for operations of employee share-based payments, including accounting for income tax, confiscated and normative tax receivables, as well as classification in the cash flows statement.

ASU 2016-13, financial instruments–credit losses (Topicპ 326): measurement of credit losses for financial instruments („ASU 2016-13“). ASU 2016-13 replaces the current model of incurred losses with the model of estimated credit losses, which measures credit losses for financial instruments at amortized value, and requires the companies to recognize provision for the expected credit losses. Apart of that, ASU 2016-13changes the guidance of measurement of credit lossesfor available-for-sale debt securities and beneficiary interest in secured assets. These changes clarify some factors to be considered in determining whether credit losses have to be recognized requires the companies to recognize the expected credit losses through corresponding provisions. ASU 2016-13 is effective for public business entities for fiscal years starting from December 15, 2019, including interim periods within those fiscal years. The Company is currently assessing the potential impact on its financial statements resulting from the application ofASU 2016-13.

5. Net insurance premium

During 2016 the Company received income from the following types of insurance contracts/policies:

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

	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)	2016 (GEL)
	Health insurance	Motor insurance	Life insurance	Performance Bonds	Other insurance	Total
Earned premium	-	128 443	110 411	144	17 788	**256 786**
Reinsurance expense	-	-	-	-	-	**-**
	-	**128 443**	**110 411**	**144**	**17 788**	**256 786**

6. Insurance claims

	2015 (GEL) Health insurance	2015 (GEL) Motor insurance	2015 (GEL) Life insurance	2015 (GEL) Other insurance	2015 (GEL) Total
Insurance claims	201 393	116 385	25 905	902	**344 585**
	201 393	**116 385**	**25 905**	**902**	**344 585**

	2016 (GEL) Health insurance	2016 (GEL) Motor insurance	2016 (GEL) Life insurance	2016 (GEL) Other insurance	2016 (GEL) Total
Insurance claims	8 027	46 602	26 879	2 600	**84 108**
	8 027	**46 602**	**26 879**	**2 600**	**84 108**

7. Other income from insurance operations

Other income from insurance operations resulted in GEL 9 810as at 2016. Other income from insurance operations during the reporting period was income from subrogation.

8. Administrative costs

	2016 (GEL)	2015 (GEL)
Salaries	44 161	198 418
Rental	7 140	137 500
Depreciation and amortization	1 180	541
Transport and fuel expenses	-	4 072
Repairs	-	1 019
Audit and consulting	16 979	22 392
Communication expenses	-	707
Bank payments	1 741	1 252
Discounts	-	26 428
Guarantee	2 958	-
Insurance for employees	-	313
Archive servicing expenses	15 347	-
Other expenses	3 086	10 343
	92 592	**402 985**

9.Financial income

In 2016 the Company allocated funds in different banks: JS Bank of Georgia, JS Tera Bank, JS Basisbank, JS Liberty Bank and JS TBC Bank. Financial income for 2016 was income from bank deposits, interest accrued to current accounts, issued loans, securities and promissory notes.

While the Company is a licensed financial institution, its interest income received from other financial institutions is subject to 15% income tax.

	2016 (GEL)	2015 (GEL)
Interest income from term deposits	164 987	325 711
Interest income from discount deposit certificatesecurities	350 049	43 291
Interest income from securities	15 288	-
Interest income from loans issued	163 736	184 179
	694 059	**553 180**

Interest income from deposits

	2016 (GEL)	2015 (GEL)
JS Bank of Georgia	49 148	108 177
JS Tera Bank (former JS Kor Standard Bank)	5 227	26 016
JS Basis Bank	42 843	27 873
JS Liberty Bank	23 280	-
JS TBC Bank	44 488	-
JS Private Bank Georgia	-	163 645
	164 987	**325 711**

Interest income from discount deposit certificates

	2016 (GEL)	2015 (GEL)
JS Bank of Georgia	281 382	23 394
JS Tera Bank (former JS Kor Standard Bank)	68 667	19 897
	350 049	43 291

Interest income from loans issued

	2016 (GEL)	2015 (GEL)
JS Insurance Company Imedi L	1 677	66 510
JS Insurance Company Aldagi	162 059	117 669
	163 736	**184 179**

Interest income from securuties

	2016 (GEL)	2015 (GEL)
Microfinance organization Credo	15 288	-
	15 288	**-**

10.Other nonoperating income / (loss)

	2016 (GEL)	2015 (GEL)
Income from derecognition of reinsurance payables	-	100 093
Income from derecognition advances received	-	25 605
Income from derecognition of other payables	410	65 042
Income from derecognition of other assets	(734)	(41 740)
Income from sale of fixed assets	1 334	-
	1 010	**149 000**

11.Income tax expense

Current tax rate is income tax - 15%.

	2016 (GEL)	2015 (GEL)
Current income tax expense	131 122	133 840
Origination and reversal of temporary differences	31 579	89 437
Total income tax expense	**162 701**	**223 276**

Current tax rate comparison:

	2016 (GEL)	2015 (GEL)
Income / (loss) before tax	1 059 282	650 531
Income tax according to statutory tax rate	158 892	97 580
Nondeductible expense, net/(non taxable income)	3 809	125 697
Total income tax expense	**162 701**	**223 276**

12.Cash and cash equivalent

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
Cash on current accounts	160 169	481 038
Term deposits	1 405 437	476 005
Discount deposit certificate	2 159 076	2 550 000
	3 724 682	**3 507 043**

Term deposits

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
JS Bank of Georgia	400 000	276 005
JS Tera Bank (former JS Kor Standard Bank)	-	200 000
JS Basis Bank	355 500	-
JS Liberty Bank	199 937	-
JS TBC Bank	450 000	-
	1 405 437	**476 005**

Discount deposit certificate

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
JS Bank of Georgia	1 450 000	2 100 000
JS Tera Bank (former JS Kor Standard Bank)	709 076	450 000
	2 159 076	**2 550 000**

13.Current insurance receivables

At December 31, 2016, the Company had receivables in life, motor insurance, performance bonds and other lines of business, GEL 124 572 in total.

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
Health insurance	-	281 944
Motor insurance	818 957	1 266 926
Life insurance	55 769	61 191
Performance bonds	7 136	134 886
Other insurance	1 953	2 083
	883 816	**1 747 031**
	883 816	198 161

	Balance 31.12. 2016 (GEL)	Balance 31.12. 2015 (GEL)
Insurance receivables	883 816	1 747 031
Allowance for impairment	(759 245)	(1 444 681)
	124 572	**302 350**

The table below shows insurance receivables according to the overdue period:

	Gross 31.12.2016	Impairment 31.12.2016	Gross 31.12.2016	Impairment 31.12.2016
Not overdue	101 600	-	241 166	-
Overdue: 0-30 days	5 418	(271)	20 325	(1 016)
Overdue: 31-60 days	5 796	(869)	6 580	(987)
Overdue: 61-90 days	5 722	(1 717)	15 589	(4 677)
Overdue: 91-120 days	5 111	(2 556)	9 706	(4 853)
Overdue: 121-365 days	31 677	(25 342)	58 266	(46 613)
Overdue for more than one year	728 490	(728 490)	1 395 399	(1 386 535)
	883 816	**(759 245)**	**1 747 031**	**(1 444 681)**

14.Other current receivables

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
Debtors	8 525	-
Advances	1 900	6 000
Other current assets	150	-
	10 575	**6 000**

15.Loans issued

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
Loans issued (principal amount)	2 150 000	2 110 000
Interest accrued to loans issued	279 728	184 179
	2 429 728	**2 294 179**

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
JS Insurance Company Imedi L (principal amount)	-	850 000
interestprincipal amount)	-	66 510
JS Insurance Company Aldagi (principal amount)	2 150 000	1 260 000
JS Insurance Company Aldagi (interest)	279 728	117 669
	2 429 728	**2 294 179**

16.Financial assets

In 2016 JS Insurance Company Tao purchased three promissory notes of GEL 50 000 from microfinance organization Credo LTD.

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
Securities	150 000	-
Interest accrued to securuties	15 288	-
	165 288	**-**

17.Advances and prepaid taxes

As at 31 December 2016the Company had the following structure of advances and prepaid taxes:

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
Prepaid income tax	95 556	124 859
	95 556	**124 859**

18.Interests, dividends and other receivables

As at 31 December 2016thereceivables from bank deposits resulted in GEL 377,728:

	Balance 31 December 2016 (GEL)	**Balance 31 December 2015 (GEL)**
JS Bank of Georgia	228 053	43 054
JS Tera Bank (former JS Kor Standard Bank)	39 064	20 665
JS Basis Bank	42 843	-
JS Liberty Bank	23 280	-
JS TBC Bank	44 488	-
	377 728	**63 720**

Interest receivable from deposits

	2016 (GEL)	**2015 (GEL)**
JS Bank of Georgia	59 184	19 661
JS Tera Bank (former JS Kor Standard Bank)	-	12 822
JS Basis Bank	42 843	-
JS Privat Bank	23 280	-
JS Liberty Bank	44 488	-
	169 796	**32 483**

Interest receivable from discount deposit certificates

	2016 (GEL)	**2015 (GEL)**
JS Bank of Georgia	168 869	23 394
JS Tera Bank (former JS Kor Standard Bank)	39 064	7 843
	207 933	**31 237**

19.Deferred tax assets

	Residual value (financial)	Residual value (tax)	Temporary differences	Income tax rate	Income tax asset (liability)
2015					
Incurred losses	(228 795)	(226 852)	1 943	15%	292
Allowance for doubtful accounts	(1 444 681)	(1 236 095)	208 586	15%	31 288
Tatal	**(1 673 476)**	**(1 462 947)**	**210 530**		**31 579**

Deferred tax assets and liabilities are calculated in respect of temporary differences between the book value of assets and liabilities for financial statements and the same value for tax purposes.

According to the change in the Georgian Tax Code, the companies have to change the method of calculating income tax from January 1, 2019. From January 1 2019 income tax shall be paid only from equity profit (dividends). If the Company does not distribute profit, it will not be subject to income tax payment.

The above changed caused that the companies will not have temporary differences between tax and financial assets/liabilities. Consequently, from January 1 2019, there will be no obligation to accrue a deferred tax asset and/or deferred income tax. At the same time, the companies will not be able to use accumulated tax liabilities to reduce tax income for the future periods.

As at 31 December 2016 the Company annules the deferred tax asset/(liability), as there is no evidence of its utilization within the following two years.

20.Reinsurance payables

As at 31 December 2016, liability of the Company to reinsurance company SCOR PERESTRAKHOVANIYE resulted in USD 140 008, equivalent toGEL 370 574 according to the final exchange rate of the year, which is the balance for the years 2010-2011.

21.Taxes and other payables

AS at 31 December 2016 the Company had the following structure of taxes and other payables:

	Balance 31 December 2016 (GEL)	Balance 31 December 2015 (GEL)
Advances received	-	90 734
Salaries and bonuses	-	1 208
Brokerage and agents commissions	47 315	47 315
Current tax payables	31 533	21 406
Other taxes	4 196	572
	83 044	**161 235**

22.Insurance claims provisions

Provisions are established for reporting dates and are defined as the amount of claims incurred by the reporting date (whether reported or not), including claims settlement expenses and less claims paid. Claims provisions are not discounted.

Reported but not settled claims provision (RBNS) is established for the reported claims, including claims settlement and amangement expenses. The amount is defined based on individual assessment of claims by the experts and Claims Department of the Company.

Incurred but not reported claims provision (IBNR) has not been established by the Company statisticians due to the lack of statistics data. The group of auditors relies on information provided by the Company based on calculations of Supervisory Service.

23.Deferred income (UPR reserve)

The structure of the deferred income of the Company for the years 2015 and 2016 was as follows:

	Defrred income *31 December 2014*	Written premium *2015*	Earned premium *2015*	Deferred income *31 Deember 2015*
Health insurance	12 638	67 219	79 856	-
Motor insurance	753 816	(122 392)	326 891	304 534
Life insurance	303 574	369 832	662 073	11 333
Performance Bonds	4 454	14 826	19 136	144
Other insurance	17 170	73 926	89 825	1 270
	1 091 652	**336 192**	**1 097 925**	**317 281**

	Defrred income *31 Deember 2015*	Written premium *2016*	Earned premium *2016*	Deferred income *31 Deember 2016*
Motor insurance	304 534	(61 973)	128 443	114 118
Life insurance	11 333	101 471	110 411	2 393
Performance Bonds	144	-	144	-
Other insurance	1 270	16 859	17 788	341
	317 281	**56 357**	**256 786**	**116 852**

24.Share capital

On December 31 2016 the share capital of the Company was fully paid in cash.

Local insurance supervisor establishes capital requirements for insurance companies. The requirements are aimed to secure solvency. The purpose of the Company is to meet those requirements.

According to the requirement of Georgian State Insurance Supervising Service, from January 1 2016 share capital for life insurance is defined as GEL 1 500 000, 80% of which must be cash on current accounts or bank deposits.

By not later than 31 December 2016 the Company had to retain minimal capital in the amount of GEL 2 200 000, 100% secured in cash or bank deposits.

Apart of that, according to the Clause 1 of the Decree #16 of the Head of State Insurance Supervising Service of Georgia:

Regulatory capital must exceed 50% of the solvency margin from 1 January 2017 to 1 July 2017.

Regulatory capital must exceed 75% of the solvency margin from 1 July 2017 to 1 January 2018.

JS Insurance Company Tao regularly meets minimal regulatory capital requirements established by the State Insurance Supervising Service of Georgia.

As at 31 December 2016 the regularory capital of the Company was GEL 3 830 647.

25. Risk Management

Governance framework

TheprimaryobjectiveoftheCompany'sriskandfinancialmanagementframeworkistoprotecttheCompany fromeventsthathinderthesustainableachievementoftheCompany'sperformanceobjectives,includingfai lingtoexploitopportunities.TheCompanyrecognizesthecriticalimportanceofhavingefficientandeffectiv eriskmanagementsystems in place. Policies are implemented defining the risk appetite, risk management, control and business standards.

Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables.

Market risk can emerge in the result of possessing of interest, trade financial instruments or financial instruments in foreig currency. A risk exists that fair value of financial instruments or future cash flows will change from market interest rates (interest rate risk) or fluctuation in foreign exchange rates (currency risk).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party toincur a financial loss.The Company manages the level of credit risk it accepts through a comprehensive group credit risk policy setting out theassessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty, geographical and industry segments; right of offset where counterparties are both debtors and creditors.

Currency risk

Currency risk emerges in case of change in price of one currency to another. The Company is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company's principal transactions are carried out in Georgian lari and thus foreign currency fluctuations do not have big effect on the Company.

	GEL	CHF	USD	Total
Assets:				
Cash and cash equivalents	3 507 043	-	-	3 507 043
Current insurance receivables	185 931	1 327	115 091	302 349
Other current receivables	6 000	-	-	6 000
Loans issued	2 294 179	-	-	2 294 179
Advances and prepaid taxes	124 859	-	-	124 859
Reinsurer's share in Reported but Not Settled Claims provision	11 552	-	-	11 552
Interests, dividends and other receivables	63 720	-	-	63 720
Fixed assets	1 180	-	-	1 180
Intangible assets	1 000	-	-	1 000
Deferred atx asset	31 579	-	-	31 579
Total assets:	**6 227 042**	**1 327**	**115 091**	**6 343 460**
Liabilities:				
Reinsurance payables	-	-	335 306	335 306
Taxes and other current payables	161 235	-	-	161 235
Incurred but not Reported Claims provision	8 636	-	-	8 636
Reported but not Settled Claims provision	220 160	-	-	220 160
Defrred income	317 281	-	-	317 281
Total liabilities:	**707 312**	**-**	**335 306**	**1 042 617**
Net balance positions at 31.12.2015	**5 519 730**	**1 327**	**(220 215)**	**5 300 843**

	GEL	CHF	USD	Total
Assets:				
Cash and cash equivalents	3 724 682	-	-	3 724 682
Current insurance receivables	122 931	-	1 641	124 572
Other current receivables	10 575	-	-	10 575
Loans issued	2 429 728	-	-	2 429 728
Financial assets	165 288	-	-	165 288
Advances and prepaid taxes	95 556	-	-	95 556
Interests, dividends and other receivables	377 728	-	-	377 728
Intangible assets	1 000	-	-	1 000
Total assets:	**6 927 487**	**-**	**1 641**	**6 929 128**
Liabilities:				
Reinsurance payables	-	-	370 574	370 574
Taxes and other current payables	83 044	-	-	83 044
Incurred but not Reported Claims provision	5 917	-	-	5 917
Reported but not Settled Claims provision	155 319	-	-	155 319
Defrred income	116 852	-	-	116 852
Total liabilities:	**361 131**	**-**	**370 574**	**731 705**
Net balance positions at 31.12.2016	**6 566 356**	**-**	**(368 933)**	**6 197 423**

Interest rate risk

Interest rate risk is the risk (with fluctuating value) borne by interest asset, like loans with floating interest rates. Interest rate risk appears when actual or expected assets with given term exceed or are lower than the actual or expected liabilities with given term.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, which may have significant impact on its operations. A reasonable liquidity management means having sufficient funds and credit resources to meet the market requirements.

Insurance risks management

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 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.

Insurance contracts and types of risks

Conditions of insurance contracts having material effect on future cash flows, timing and incertainty, are given below. At the same time, this gives us possibility to assess the main products of the Company and the related risk management facilities.

Property insurance

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.

Motor insurance

Motor insurance includes both 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 full or partial 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 total or partial physical damage or loss. Claims that take longer to finalise, and are more difficult to estimate, relate to bodily injury claims.

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 estimation risk. The Company monitors and reacts to trends in repair costs, injury awards and the frequency of theft and accident claims.

26.Related Party Transactions

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

	Parent company	*Companies under common control*
Ssets:		
Cash and cash equivalents	-	60 273
Bank deposits	-	2 078 053
Receivables from policyholders	-	126 202
Loans issued	2 429 728	-
	2 429 728	**2 264 528**
Liabilities		
Taxes and other current payables	10 098	-
	10 098	**-**
Income-loss:		
Gross premium written	-	(61 649)
Change in Unearned Premium Reserve	-	157 513
Administrative costs	(7 140)	-
Insurance claims	-	(46 034)
Change in Reported but not Settled Claims provision, reinsurer's share	11 552	-
Financial income	162 059	332 207
	166 471	**382 035**

27.Salaries of main administrative staff

The number of main administrative staff in 2016 was 14. Total salaries of main administrative staff in 2016 was GEL 44 161.

28. Litigations

As at 31 December 2016 the Company is subject to 4 lawsuites:
- Claimant–Emergency Help Cemter LTD
- Claimant– JS K. Eristavi National Center of Experimental and Clinical Surgery
- Claimant– Ministry of Corrections of Georgia
- Claimant–Zaza Megrelishvili

29. Tax regulations

Georgian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently.Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challengedby the relevant regional and federal authorities. Recent events within the Georgia suggest that the tax authorities are taking amore assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions andactivities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties andinterest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or thelikelihood of any unfavourable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for threecalendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Managementbelieves that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax, currencyand customs positions will be sustained.

30. Continuity assumption

The enclosed financial statements prepared in accordance with International Financing Reporting Standards, is based on continuity assumption, which contemplatesrealization of assets and settlement of liabilities in the normal course of business.

31. Going concern considerations

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, which are sometimes unclear, contradictory and subject to varying interpretation. Tax inspections may be carried out by different authorities, which exposes the Company to different fines or penalties.

These circumstances create tax risk, which is much higher in Georgia than in the other countries. The Management believes that their approach to tax questions is adequate to the current interpretations of the law. However, it cannot be excluded that these interpretations will change and the tax authorities will have different position on similar matters.