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NSOLIDATED FINANCIAL STATEMENTS AND

EPENDENT AUDITOR'S REPORT

: THE YEAR ENDED 31 DECEMBER 2016

RSM

JSC ARDI INSURANCE

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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These consolidated financial statements are presented in Georgian Lari ("GEL").

Decimal symbol is dot (".") and digit-grouping symbol is comma (",")

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC Ardi Insurance and its subsidiary (the "Group") at 31 December 2016 and the results of its operations, cash flows, and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2016 were approved by management on 18 April 2017.

On behalf of the Management Board:

Besik Natenadze
Director

Tamar Kopilashvili
Chief Accountant

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JSC ARDI INSURANCE

Opinion

We have audited the consolidated financial statements of Ardi Insurance Joint-stock Company and its subsidiary (hereinafter the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

At 31 December 2016, 31 December 2015 and 1 January 2015, the Group has recognized subrogation receivable, net of reinsurance share in subrogation, at the amount of GEL 1,396,154; 1,490,334 and 1,383,137 respectively. Revenue from subrogation reduced with reinsurance share presented in the financial statements for the year ended 31 December 2015 equals to GEL 3,406,500. We were unable to obtain sufficient appropriate audit evidence to ensure that subrogation receivable as at 31 December 2016, 31 December 2015 and 1 January 2015 and revenue from subrogation for the year ended 31 December 2015, were recognized and estimated in accordance with the requirements of International Financial Reporting Standards.

At the end of the reporting period, the Group has not conducted impairment tests of these assets, as required by International Accounting Standards 39 – "Financial instruments: recognition and measurement". Accordingly, we were unable to determine whether these assets are impaired or not at 31 December 2016, 31 December 2015 and 1 January 2015.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

18 April 2017 RSM Georgia

RSM Georgia

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015, reclassified
	Notes	GEL	GEL
Gross premiums		28,024,164	23,423,137
Premiums ceded to reinsurers		(4,541,408)	(2,596,015)
Net premiums		**23,482,756**	**20,827,122**
Changes in unearned premium reserves		(1,562,383)	(1,505,374)
Changes in unearned premium reserves ceded to reinsurers		662,385	276,119
Net insurance revenue	4	**22,582,758**	**19,597,867**
Interest income	5	465,254	439,602
Commission income	6	208,327	426,528
TOTAL REVENUE		**23,256,339**	**20,463,997**
Insurance benefits and claims paid *	7	(16,604,603)	(17,662,782)
Claims ceded to reinsurers **	7	1,374,883	2,636,782
Changes in other insurance reserves	18	(4,795,646)	5,264,347
Changes in other insurance reserves ceded to reinsurers **	18	4,543,819	(5,501,169)
Net income from subrogation and recoveries *	8	1,570,133	3,406,500
Net benefits and claims		**(13,911,414)**	**(11,856,322)**
Commission expenses	9	(2,563,982)	(2,314,020)
General and administrative expenses	10	(4,230,734)	(3,801,206)
Marketing expenses	11	(753,464)	(784,871)
Impairment and write off expense	12	(1,116,831)	(1,401,225)
Interest expense	5	(105,710)	(113,163)
Other income and expenses, net		77,460	47,742
Net foreign exchange gain		258,734	290,808
PROFIT BEFORE TAX		**910,398**	**531,740**
Income tax expense	13	(158,977)	(84,948)
PROFIT FOR THE YEAR		**751,421**	**446,792**
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**14**	**66,410**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**817,831**	**446,792**

* In prior year financial statements 'Net income from subrogation and recoveries' was included in 'Insurance benefits and claims paid';
** In prior year financial statements 'Claims ceded to reinsurers' and 'Changes in other insurance reserves ceded to reinsurers' were shown together as 'Insurance claims and loss adjustment expenses recovered from reinsurers'.

Approved for issue and signed on behalf of the Management on 18 April 2017.

Besik Natenadze
Director

Tamar Kopilashvili
Chief Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	Notes	2016 GEL	2015, reclassified GEL	1 January 2015, reclassified GEL
ASSETS				
Property, plant and equipment	14	1,627,336	1,673,613	1,707,810
Intangible assets	15	107,473	18,929	28,266
Investment property *	16	1,370,217	1,331,690	1,251,320
Deferred acquisition costs	17	1,107,733	933,665	1,156,028
Reinsurance assets	18	10,637,244	5,431,040	10,646,597
Other assets	19	2,091,807	1,773,855	1,933,052
Insurance receivables	20	26,575,072	22,566,987	21,865,238
Amounts due from credit institutions	21	2,682,026	2,781,533	2,196,129
Cash and cash equivalents	21	2,387,421	1,450,998	6,755,618
TOTAL ASSETS		**48,586,329**	**37,962,310**	**47,540,058**
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
Capital	22	1,600,000	1,600,000	1,600,000
Revaluation surplus		158,907	92,497	92,497
Retained earnings		2,990,637	2,311,373	1,864,581
TOTAL EQUITY		**4,749,544**	**4,003,870**	**3,557,078**
LIABILITIES				
Liabilities from insurance contracts	18	25,273,238	18,915,209	22,674,182
Other insurance liabilities **	23	15,952,549	12,678,565	17,600,951
Deferred commission income from reinsurance contracts	24	182,017	118,589	211,725
Borrowings	25	811,270	1,110,595	2,179,470
Trade and other payables **	26	921,617	598,364	815,488
Deferred income tax liability	27	-	131,926	296,428
Current income tax payable		696,094	405,192	204,736
TOTAL LIABILITIES		**43,836,785**	**33,958,440**	**43,982,980**
TOTAL EQUITY AND LIABILITIES		**48,586,329**	**37,962,310**	**47,540,058**

* In prior year financial statements 'Foreclosed assets' were shown separately;
** In prior year financial statements 'Insurance agents' commission payable' was included in 'Trade and other payables'.

Approved for issue and signed on behalf of the Management on 18 April 2017.

Besik Natenadze
Director

Tamar Kopilashvili
Chief Accountant

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Capital	Revaluation Surplus	Retained Earnings	TOTAL EQUITY
	GEL	GEL	GEL	GEL
At 1 January 2015	**1,600,000**	**92,497**	**1,864,581**	**3,557,078**
Total comprehensive income for the year	-	-	446,792	446,792
At 31 December 2015	**1,600,000**	**92,497**	**2,311,373**	**4,003,870**
Profit for the year	-	-	751,421	751,421
Other comprehensive income for the year	-	66,410	-	66,410
Total comprehensive income for the year	-	66,410	751,421	817,831
Dividends paid	-	-	(72,157)	(72,157)
At 31 December 2016	**1,600,000**	**158,907**	**2,990,637**	**4,749,544**

Approved for issue and signed on behalf of the Management on 18 April 2017.

Besik Nateradze
Director

Tamar Kopilashvili
Chief Accountant

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 GEL	2015, reclassified GEL
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (insurance premium)	24,427,198	21,247,403
Payments to reinsurers	(1,844,499)	(516,706)
Net receipts of premiums	**22,582,699**	**20,730,697**
Payments for insurance claims	(16,170,943)	(17,317,763)
Reimbursements from reinsurers and subrogation	2,831,772	2,793,631
Net payments for insurance claims	**(13,339,171)**	**(14,524,132)**
Payments for acquisition costs	(2,118,484)	(1,788,964)
Payments to suppliers and employees	(4,367,066)	(7,061,067)
Net cash flow generated from operations	**2,757,978**	**(2,643,466)**
Interest paid	(136,561)	(143,166)
Taxes paid	(1,151,103)	(1,159,751)
Net cash generated by operating activities	**1,470,314**	**(3,946,383)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed and intangible assets	(230,278)	(233,294)
Loans issued	(1,780,231)	(1,887,854)
Repayment of loans issued	1,506,389	1,650,057
Interest received	393,909	335,475
Net cash used in investing activities	**(110,211)**	**(135,616)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of new borrowings	865,570	528,000
Repayment of borrowings	(1,294,310)	(1,569,554)
Dividends paid to owners of the parent company	(72,157)	-
Net cash used in financing activities	**(500,897)**	**(1,041,554)**
CASH AND CASH EQUIVALENTS		
At 1 January	**4,143,170**	**8,884,336**
Net increase in the year	859,206	(5,123,553)
Effect of exchange rate changes on cash and cash equivalents held	18,125	382,387
At 31 December	**5,020,501**	**4,143,170**
COMPRISING		
Cash and cash equivalents	2,387,421	1,450,998
Amounts due from credit institutions	2,682,026	2,781,533
TOTAL PER THE STATEMENT OF FINANCIAL POSITION	**5,069,447**	**4,232,531**
Less accrued interest	(48,946)	(89,361)
TOTAL FOR THE STATEMENT OF CASH FLOWS PURPOSES	**5,020,501**	**4,143,170**

Approved for issue and signed on behalf of the Management on 18 April 2017.

ARDI INSURANCE
JSC ARDI INSURANCE
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Besik Natenadze
Director

Tamar Kopilashvili
Chief Accountant

NOTES

NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

JSC Ardi Insurance (the Company) is a Joint-Stock Company domiciled in, and registered under the laws of Georgia. The Company operates by head office and six service centres and provides different insurance services in Georgia (see Note 4).

The Company owns 100% of Ardi Property Ltd (the Subsidiary) which is focused on buying foreclosed assets after incurring insurance claims. The Company and the Subsidiary are together referred to as the Group.

The shareholders of the Company are:

Armaz Tavadze	50%
Zurab Khizanishvili	30%
Zaza Nishnianidze	20%
	100%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2016.

The consolidated financial statements comprise a statement of profit or loss, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Group in their capacity as owners are recognised in the statement of changes in equity. The statement of financial position format is in order of liquidity.

Measurement bases
The consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Application of new and amended standards
There were no new or amended standards having an effect on these consolidated financial statements.

New and amended standards in issue but not yet effective
The Group has not adopted any standards or interpretations in advance of the required implementation dates. The following standards/amendments, which are not yet effective, might have a significant effect on the Groups' financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- Amendments to IFRS 4 titled *Applying IFRS 9* Financial Instruments *with IFRS 4* Insurance Contracts (issued in September 2016) - The amendments give all entities that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before implementing the replacement insurance contracts Standard for IFRS 4 that is under drafting by the Board. Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption from applying IFRS 9 (until 2021), thus continuing to apply IAS 39 instead.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

- IFRS 9 *Financial Instruments* (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
    - IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
    - For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
    - For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
    - For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
    - The derecognition provisions are carried over almost unchanged from IAS 39.

(B) INSURANCE REVENUE AND EXPENSES RECOGNITION

Gross premiums
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums (see part J of this note).

Reinsurance premiums
Gross reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Insurance benefits and claims
Insurance claims include all claims occurring during the year, whether reported or not, claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries (subrogation), and any adjustments to claims outstanding from previous years.

(C) BASIS OF CONSOLIDATION

The Group's financial statements incorporate the results, cash flows, assets and liabilities of the Company and the Subsidiary.

A subsidiary is an entity controlled by the Group, ie the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity's relevant activities (power over the investee). Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group obtains control of the acquired business, until that control ceases. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

(D) PROPERTY, PLANT AND EQUIPMENT

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After initial recognition, items of property, plant and equipment other than buildings are carried at cost less any accumulated depreciation and impairment losses. Buildings are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Buildings	4% straight line
Computers and other technical equipment	20% straight line
Furniture and office equipment	20% straight line
Vehicles	14% straight line
Other	20% straight line

Land is not depreciated

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leased assets
Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

(E) INTANGIBLE ASSETS

On initial recognition, intangible assets acquired separately are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. The estimated useful life and amortisation method (15% straight line) are revised at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset - measured as the difference between the net disposal proceeds and the carrying amount of the asset - are recognised in profit or loss when the asset is derecognised.

(F) INVESTMENT PROPERTY (INCLUDING FORECLOSED ASSETS)

Investment properties are held to earn rental income and / or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The cost comprises the purchase price and any directly attributable expenditure (eg professional fees for legal services, property transfer taxes).

Subsequently, investment properties are carried at cost less any accumulated depreciation and impairment losses. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life of 20 years.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Land is not depreciated. Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(G) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of property, plant and equipment, intangible assets and investment property are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of the asset / unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / unit whose impairment is being measured.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(H) DEFERRED ACQUISITION COSTS (DAC)

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

Subsequent to initial recognition, DACs are amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

DACs are derecognised when the related contracts are either settled or disposed of.

(I) FINANCIAL INSTRUMENTS

Initial recognition and measurement
The Group recognises a financial asset or a financial liability in the consolidated statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Group recognises all financial assets and financial liabilities at fair value. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price.

Subsequent measurement of financial assets
Subsequent measurement of financial assets depends on their classification on initial recognition. During the reporting period, the Group classified financial assets as loans and receivables - non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or collectability.

Typically trade and other receivables, bank balances and cash are classified in this category.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Impairment of financial assets
At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

In addition, for insurance premium receivables (see below) that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

The carrying amount of loans and receivables is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets
Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by IAS 39. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognised / derecognised in full or recognised to the extent of the Group's continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

Subsequent measurement of financial liabilities
Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. During the reporting period, the Group did not classify any financial liabilities as held for trading or designated as at fair value through profit or loss. All the other financial liabilities are carried at amortised cost using the effective interest method.

Typically, trade and other payables and borrowings are classified in this category. Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

Derecognition of financial liabilities
A financial liability is removed from the Group's statement of financial position only when the liability is discharged, cancelled or expired (ie extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Insurance receivables
Insurance receivables consist of:

- Insurance premium receivable that is the sum of earned (past due) and unearned premiums receivable;
- Net reinsurance receivable - when the receivable from reinsurer is more than payable;
- Subrogation receivable that is the fair value of recoveries receivable from third parties to reimburse some or all costs of insurance claims.

Reinsurance assets
Reinsurance assets represent the reinsurer's share in liabilities from insurance contracts (see part J of this note).

Cash and cash equivalents and amounts due from credit institutions
Cash and cash equivalents and amounts due from credit institutions comprise cash in hand, on demand and term deposits, and other highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows only, cash and cash equivalents include bank overdrafts repayable on demand. Since the characteristics of such banking arrangements are that the bank balance often fluctuates from being positive to overdrawn, they are considered an integral part of the Group's cash management.

Insurance agents' commission payable, included in other insurance liabilities, is amortised over the period in which the related revenues are earned.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

(J) LIABILITIES FROM INSURANCE CONTRACTS

Insurance contract liabilities include the outstanding claims provision and the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported (RBNS) or not (IBNR), together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. IBNR is calculated at the reporting date in accordance with the state regulation: 5% of annual gross premiums for all types of insurance contracts other than medical (health) and 2% of annual gross premiums for medical (health) insurance. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Liability adequacy test
At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency.

(K) FOREIGN CURRENCY TRANSACTIONS

Foreign currency monetary assets and liabilities are translated into the functional currency of the Group (Georgian Lari, "GEL") using the exchange rates officially published by the National Bank of Georgia at the reporting date:

	GEL / USD	GEL / EUR
Exchange rate as at 31 December 2016	2.65	2.79
Average rate for the year ended 31 December 2016	2.37	2.62
Exchange rate as at 31 December 2015	2.39	2.62
Average rate for the year ended 31 December 2015	2.27	2.52

Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

(L) INCOME TAXES

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the consolidated statement of financial position and the corresponding tax base.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that the Group considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

(M) PROVISIONS

Where, at the reporting date, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

(N) EQUITY

Equity instruments are contracts that give a residual interest in the net assets of the Group. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction. To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account.

Dividends are recognised as liabilities when they are declared (ie the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders' Annual General Meeting. Interim dividends are recognised when paid.

3 IMPACT OF RECLASSIFICATION OF COMPARABLE INFORMATION

The Group has changed the policy of accounting fronting insurance contracts (contracts where 100% of insurance risk is reinsured). Under the previous policy net insurance premiums from such contracts (premiums receivable less premiums payable to reinsurer) were classified as commission income (in 2015 only, in 2014 the effect was immaterial). Current policy accounts such premiums in the same way as premiums from other insurance contracts. The Group believes that the change in accounting policy results in the financial statements providing reliable and more relevant information about the effects of transactions on the Group's financial position and financial performance. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has applied the change retrospectively. Resulting reclassifications are provided below.

Statement of Comprehensive Income (extract)	As previously reported for the year ended 31 December 2015	Reclassification	Reclassified for the year ended 31 December 2015
	GEL	GEL	GEL
Gross premiums	22,325,359	1,097,778	23,423,137
Premiums ceded to reinsurers	(1,646,571)	(949,444)	(2,596,015)
Net premiums	**20,678,788**	**148,334**	**20,827,122**
Changes in unearned premium reserve	(946,696)	(558,678)	(1,505,374)
Changes in unearned premium reserve ceded to reinsurers	(203,368)	479,487	276,119
Net insurance revenue	**19,528,724**	**69,143**	**19,597,867**
Interest income	439,602	-	439,602
Commission income	495,671	(69,143)	426,528
TOTAL REVENUE	**20,463,997**	**-**	**20,463,997**

Statement of Financial Position (extract)	As previously reported as at 31 December 2015	Reclassification	Reclassified as at 31 December 2015
ASSETS	GEL	GEL	GEL
Reinsurance assets	4,942,060	488,980	5,431,040
Insurance receivables	22,576,480	(9,493)	22,566,987
Other assets	9,964,283	-	9,964,283
TOTAL ASSETS	**37,482,823**	**479,487**	**37,962,310**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			
Capital	1,600,000	-	1,600,000
Revaluation surplus	92,497	-	92,497
Retained earnings	2,311,373	-	2,311,373
TOTAL EQUITY	**4,003,870**	**-**	**4,003,870**
LIABILITIES			
Liabilities from insurance contracts	18,356,531	558,678	18,915,209
Deferred commission income from reinsurance contracts	197,780	(79,191)	118,589
Other liabilities	14,924,642	-	14,924,642
TOTAL LIABILITIES	**33,478,953**	**479,487**	**33,958,440**
TOTAL EQUITY AND LIABILITIES	**37,482,823**	**479,487**	**37,962,310**

4 NET INSURANCE REVENUE

	2016			2015, reclassified		
	Gross premiums	Premiums ceded to reinsurers	Net premiums	Gross premiums	Premiums ceded to reinsurers	Net premiums
Medical (Health)	16,009,559	-	16,009,559	15,127,144	-	15,127,144
Property	4,022,167	(1,730,489)	2,291,678	1,320,817	(442,075)	878,742
Road Transport Means	2,510,426	-	2,510,426	2,161,391	-	2,161,391
Suretyships	1,881,013	(988,200)	892,813	2,175,089	(1,353,354)	821,735
Aviation Third Party Liability	1,138,249	(1,053,639)	84,610	566,917	(557,170)	9,747
Third Party Liability	922,367	(279,163)	643,204	984,498	(170,372)	814,126
Motor Third Party Liability	420,319	-	420,319	363,150	-	363,150
Aviation Transport Means (Hull)	288,270	(266,965)	21,305	1,780	(936)	844
Cargo	276,097	(105,542)	170,555	234,340	(24,398)	209,942
Travel	221,268	-	221,268	229,763	-	229,763
Personal Accident	161,220	(63,573)	97,647	120,909	(45,921)	74,988
Financial loss Risks	91,560	(1,463)	90,097	41,181	(1,789)	39,392
Life	81,649	(52,374)	29,275	1,525	-	1,525
Marine Transport Means (Hull)	-	-	-	94,633	-	94,633
Marine Third Party Liability	-	-	-	-	-	-
	28,024,164	**(4,541,408)**	**23,482,756**	**23,423,137**	**(2,596,015)**	**20,827,122**
Changes in unearned premium reserves	(1,562,383)	662,385	(899,998)	(1,505,374)	276,119	(1,229,255)
Net insurance revenue	**26,461,781**	**(3,879,023)**	**22,582,758**	**21,917,763**	**(2,319,896)**	**19,597,867**

Gross premiums include premiums of GEL 2,784,024 (2015: GEL 1,097,778) from fronting insurance contracts (contracts where 100% of insurance risk is reinsured) and premiums ceded to reinsurers include such premiums of GEL 2,511,668 (2015: 949,444).

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

5 INTEREST INCOME AND EXPENSE

The following table analyses the total amounts of interest income and expense classified by underlying category of financial assets and liabilities.

	2016	2015
	GEL	GEL
Interest income from loans issued	260,237	252,798
Interest income from deposits	205,017	186,804
INTEREST INCOME	465,254	439,602
Interest expense on bank loans	(97,878)	(94,331)
Interest expense on other loans	(7,832)	(18,832)
INTEREST EXPENSE	(105,710)	(113,163)

6 COMMISSION INCOME

	2016	2015, reclassified
	GEL	GEL
Gross commission income	271,755	333,392
Commission income deferred	(129,183)	(104,644)
Amortization of prior period income deferred	65,755	197,780
COMMISSION INCOME	208,327	426,528

7 INSURANCE BENEFITS AND CLAIMS PAID

	2016			2015		
	Paid	Ceded to reinsurers	Net payment	Paid	Ceded to reinsurers	Net payment
Medical (Health)	12,371,824	-	12,371,824	11,404,794	-	11,404,794
Suretyships	2,154,495	(1,374,883)	779,612	3,800,829	(2,450,778)	1,350,051
Road Transport Means	1,291,115	-	1,291,115	1,611,969	-	1,611,969
Property	457,569	-	457,569	423,049	(186,004)	237,045
Motor Third Party Liability	229,531	-	229,531	215,665	-	215,665
Financial loss Risks	46,773	-	46,773	53,927	-	53,927
Third Party Liability	20,229	-	20,229	35,078	-	35,078
Travel	12,054	-	12,054	50,618	-	50,618
Cargo	5,784	-	5,784	18,932	-	18,932
Personal Accident	-	-	-	2,918	-	2,918
Claims handling expenses	15,229	-	15,229	45,003	-	45,003
	16,604,603	(1,374,883)	15,229,720	17,662,782	(2,636,782)	15,026,000

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

8 NET INCOME FROM SUBROGATION AND RECOVERIES

	2016 GEL	2015 GEL
Subrogation and recoveries	7,244,704	4,812,688
Reinsurer's share in subrogation and recoveries	(5,674,571)	(1,406,188)
NET INCOME FROM SUBROGATION AND RECOVERIES	**1,570,133**	**3,406,500**

Movement of net receivable from subrogation and recoveries:

	2016 GEL	2015, reclassified GEL
AT 1 JANUARY	**1,490,334**	**1,383,136**
Net income from subrogation and recoveries	1,570,133	3,406,500
Compensations received	(1,664,313)	(2,759,336)
Write-off	-	(539,966)
AT 31 DECEMBER	**1,396,154**	**1,490,334**

9 COMMISSION EXPENSES

Commission expenses are the costs of acquiring or renewing of insurance contracts:

	2016 GEL	2015 GEL
Acquisition costs	2,738,050	2,210,542
Acquisition costs deferred	(1,023,974)	(938,635)
Amortization of deferred acquisition cost	849,906	1,042,113
COMMISSION EXPENSES	**2,563,982**	**2,314,020**

10 GENERAL AND ADMINISTRATIVE EXPENSES

	2016 GEL	2015 GEL
Salaries	2,951,972	2,539,833
Rent	299,845	279,019
Depreciation and Amortisation	203,436	199,833
Stationery	111,795	70,562
Consultation expenses	89,346	119,473
Representative expenses	82,431	77,718
Communication expenses	79,153	90,764
Public register and notary service fees	70,648	124,002
Business trip	54,894	62,233
Utilities	46,001	40,160
Other	241,213	197,609
G&A EXPENSES	**4,230,734**	**3,801,206**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

11 MARKETING EXPENSES

	2016 GEL	2015 GEL
Salary of sales staff	574,338	484,879
Advertising expenses	168,411	289,357
Other sales expenses	10,715	10,635
MARKETING EXPENSES	**753,464**	**784,871**

12 IMPAIRMENT AND WRITE OFF EXPENSE

	2016 GEL	2015 GEL
Impairment of insurance premium receivable	943,774	330,618
Impairment of loans issued (other assets)	104,346	229,795
Write off of subrogation receivable	-	539,966
Write off of other assets	68,711	300,846
IMPAIRMENT AND WRITE OFF EXPENSE	**1,116,831**	**1,401,225**

13 INCOME TAX EXPENSE

	2016 GEL	2015 GEL
Current income tax expense	290,903	249,450
Deferred income tax income	-	(164,502)
Write-off due to the change of tax law (see Note 27)	(131,926)	-
INCOME TAX EXPENSE	**158,977**	**84,948**

The following table illustrates the reconciliation of tax expense.

	2016 GEL	2015 GEL
Profit before income tax	910,398	531,740
Corporation tax charge thereon at 15%	**136,560**	**79,761**
Non-deductible expenses	154,343	5,187
Write-off due to the change of tax law (see Note 27)	(131,926)	-
INCOME TAX EXPENSE FOR THE YEAR	**158,977**	**84,948**
EFFECTIVE TAX RATE	**17%**	**16%**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Computers and other technical , equipment	Furniture and office equipment	Vehicles	Other	Total
	GEL	GEL	GEL	GEL	GEL	GEL
COST						
AT 1 JANUARY 2015	**1,628,697**	**199,375**	**139,283**	**55,368**	**28,839**	**2,051,562**
Additions	-	38,827	28,342	29,768	57,462	154,399
AT 31 DECEMBER 2015	**1,628,697**	**238,202**	**167,625**	**85,136**	**86,301**	**2,205,961**
Additions	-	26,715	22,241	15,000	7,975	71,931
Revaluation	66,410	-	-	-	-	66,410
Transfer*	(285,107)	-	-	-	-	(285,107)
Disposals	-	-	-	(7,935)	-	(7,935)
AT 31 DECEMBER 2016	**1,410,000**	**264,917**	**189,866**	**92,201**	**94,276**	**2,051,260**
DEPRECIATION						
AT 1 JANUARY 2015	**206,483**	**67,992**	**45,916**	**13,493**	**9,868**	**343,752**
Depreciation for the period	78,624	45,298	29,381	11,344	23,949	188,596
AT 31 DECEMBER 2015	**285,107**	**113,290**	**75,297**	**24,837**	**33,817**	**532,348**
Depreciation for the period	60,000	46,089	31,644	12,468	27,049	177,250
Transfer*	(285,107)	-	-	-	-	(285,107)
Depreciation of disposals	-	-	-	(567)	-	(567)
AT 31 DECEMBER 2016	**60,000**	**159,379**	**106,941**	**36,738**	**60,866**	**423,924**
NET CARRYING AMOUNT						
At 1 January 2015	1,422,214	131,383	93,367	41,875	18,971	1,707,810
At 31 December 2015	1,343,590	124,912	92,328	60,299	52,484	1,673,613
AT 31 DECEMBER 2016	**1,350,000**	**105,538**	**82,925**	**55,463**	**33,410**	**1,627,336**

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

The building (556 sq.m. office space on 3 Vazha-Pshavela ave., Tbilisi) was revalued on 1 August 2014 by independent valuator Valuation Company ACD Ltd. The revaluation was recognised in 2016 without restating prior years because the adjustment is not material.

If the building was stated on a historical cost basis, the amounts would have been as follows:

	2016	2015
	GEL	GEL
Cost	1,519,877	1,519,877
Accumulated depreciation	(307,176)	(246,381)
Net book value	**1,212,701**	**1,273,496**

The building is pledged as security for the loan from Procredit Bank JSC (Note 25).

Depreciation has been charged entirely to general and administrative expenses.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

15 INTANGIBLE ASSETS

	Licenses	Computer software	Other	Total
	GEL	GEL	GEL	GEL
COST				
AT 1 JANUARY 2015	**1,000**	**64,072**	**-**	**65,072**
Additions	-	-	1,900	1,900
AT 31 DECEMBER 2015	**1,000**	**64,072**	**1,900**	**66,972**
Additions	30,019	74,536	-	104,555
AT 31 DECEMBER 2016	**31,019**	**138,608**	**1,900**	**171,527**
AMORTISATION				
AT 1 JANUARY 2015	**587**	**36,219**	**-**	**36,806**
Amortisation for the period	150	10,945	142	11,237
AT 31 DECEMBER 2015	**736**	**47,164**	**142**	**48,043**
Amortisation for the period	2,401	13,325	285	16,011
AT 31 DECEMBER 2016	**3,137**	**60,489**	**427**	**64,054**
NET CARRYING AMOUNT				
At 1 January 2015	413	27,853	-	28,266
At 31 December 2015	264	16,908	1,758	18,929
AT 31 DECEMBER 2016	**27,882**	**78,119**	**1,473**	**107,473**

Amortisation has been charged entirely to general and administrative expenses.

16 INVESTMENT PROPERTY

	2016	2015
	GEL	GEL
Land plots	934,465	933,565
Other property	435,752	398,125
INVESTMENT PROPERTY	**1,370,217**	**1,331,690**

The land plots are located in Tetritskaro (5 ha), Khashuri (2.6 ha), Tbilisi (1.4 ha) and other locations (0.9 ha) of Georgia.

The property of GEL 757,745 is temporarily sequestered by the court.

The fair value of the investment property is not reliably measurable on a continuing basis. The market for comparable properties is inactive and alternative reliable measurements of fair value are not available.

Depreciation in amount of GEL 10,175 has been charged entirely to general and administrative expenses.

17 DEFERRED ACQUISITION COSTS (DAC)

	2016	2015
	GEL	GEL
At 1 January	**933,665**	**1,156,028**
Expenses deferred	2,802,591	2,210,542
Cancellation	(64,541)	(118,885)
Amortization	(2,563,982)	(2,314,020)
At 31 December	**1,107,733**	**933,665**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

18 LIABILITIES FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

	2016	2015, reclassified
	GEL	GEL
Unearned premium provision (UPR)	11,923,523	10,361,140
Provisions for claims reported by policyholders (RBNS)	12,428,794	7,836,726
Provisions for claims incurred but not reported (IBNR)	920,921	717,343
LIABILITIES FROM INSURANCE CONTRACTS	**25,273,238**	**18,915,209**

Reinsurers' share in the liabilities from insurance contracts were as follows:

	2016	2015, reclassified
	GEL	GEL
Reinsurers' share in unearned premium provision (UPR)	1,644,254	981,869
Reinsurers' share in provisions for claims reported by policyholders (RBNS)	8,765,920	4,319,370
Reinsurers' share in provisions for claims incurred but not reported (IBNR)	227,070	129,801
REINSURANCE ASSETS	**10,637,244**	**5,431,040**

Liabilities from insurance contracts net of reinsurance were as follows:

	2016	2015, reclassified
	GEL	GEL
Unearned premium provision (UPR)	10,279,269	9,379,271
Provisions for claims reported by policyholders (RBNS)	3,662,874	3,517,356
Provisions for claims incurred but not reported (IBNR)	693,851	587,542
NET LIABILITIES FROM INSURANCE CONTRACTS	**14,635,994**	**13,484,169**

Analysis of movements in liabilities from insurance contracts and reinsurance assets were as follows.

(a) Provision for unearned premium (UPR):

	2016	2015, reclassified
	GEL	GEL
Balance at 1 January	**10,361,140**	**8,855,766**
Gross written premium	28,024,164	23,423,137
Gross earned premium	(26,461,781)	(21,917,763)
Balance at 31 December	**11,923,523**	**10,361,140**

Reinsurer's share in UPR:

	2016	2015, reclassified
	GEL	GEL
Balance at 1 January	**981,869**	**705,750**
Reinsurer's share of gross written premium	4,541,408	2,596,015
Gross reinsurer's earned premium	(3,879,023)	(2,319,896)
Balance at 31 December	**1,644,254**	**981,869**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

UPR, net:

	2016	2015, reclassified
	GEL	GEL
Balance at 1 January	**9,379,271**	**8,150,016**
Net written premium	23,482,756	20,827,122
Net earned premium	(22,582,758)	(19,597,867)
Balance at 31 December	**10,279,269**	**9,379,271**

(b) Provisions for claims (RBNS and IBNR):

	2016	2015
	GEL	GEL
Balance of incurred but not reported at 1 January	**717,343**	**776,288**
Balance of reported but not settled claims at 1 January	**7,836,726**	**13,042,128**
Total provisions for claims at 1 January	**8,554,069**	**13,818,416**
Payments in respect of prior year claims	(2,387,029)	(4,905,545)
Change in estimates in respect of prior year claims	(1,416,141)	(4,054,579)
Expected cost of current year claims	22,801,161	16,408,011
Payments in respect of current year claims	(14,202,345)	(12,712,234)
Total provisions for claims at 31 December	**13,349,715**	**8,554,069**
Balance of incurred but not reported at 31 December	**920,921**	**717,343**
Balance of reported but not settled claims at 31 December	**12,428,794**	**7,836,726**

Reinsurer's share in RBNS and IBNR:

	2016	2015
	GEL	GEL
Balance of incurred but not reported at 1 January	**129,801**	**195,804**
Balance of reported but not settled claims at 1 January	**4,319,370**	**9,745,043**
Total provisions for claims at 1 January	**4,449,171**	**9,940,847**
Payments in respect of prior year claims	(376,766)	(2,044,395)
Change in estimates in respect of prior year claims	235,652	(7,955,607)
Expected cost of current year claims	5,683,050	5,091,220
Payments in respect of current year claims	(998,117)	(592,387)
Total provisions for claims at 31 December	**8,992,990**	**4,439,678**
Balance of incurred but not reported at 31 December	**227,070**	**129,801**
Balance of reported but not settled claims at 31 December	**8,765,920**	**4,319,370**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

RBNS and IBNR, net:

	2016 GEL	2015 GEL
Balance of incurred but not reported at 1 January	**587,542**	**580,484**
Balance of reported but not settled claims at 1 January	**3,517,356**	**3,297,085**
Total provisions for claims at 1 January	**4,104,898**	**3,877,569**
Payments in respect of prior year claims	(2,010,263)	(2,861,150)
Change in estimates in respect of prior year claims	(1,651,793)	3,901,028
Expected cost of current year claims	17,118,111	11,316,791
Payments in respect of current year claims	(13,204,228)	(12,119,847)
Total provisions for claims at 31 December	**4,356,725**	**4,114,391**
Balance of incurred but not reported at 31 December	**693,851**	**587,542**
Balance of reported but not settled claims at 31 December	**3,662,874**	**3,517,356**

19 OTHER ASSETS

	2016 GEL	2015 GEL
Loans issued	2,327,485	1,945,462
Allowance for impairment losses	(701,583)	(597,237)
Net loans issued	1,625,902	1,348,225
Advances paid	205,252	190,842
Inventory	100,476	31,347
Prepayments to employees	26,000	116,567
Other receivables	134,177	86,874
OTHER ASSETS	**2,091,807**	**1,773,855**

There is no material difference between the fair value of financial assets included in other assets and their carrying amount.

Loans issued can be presented as follows:

	2016 GEL	2015 GEL
Collateralized short-term loans	452,071	729,348
Other short-term loans	1,073,935	421,940
Long-term loans	801,479	794,174
LOANS ISSUED	**2,327,485**	**1,945,462**

The table below analyses changes in the allowance for impairment of loans issued in the period.

	2016 GEL	2015 GEL
At 1 January	**597,237**	**367,442**
Charge for the year	104,346	229,795
At 31 December	**701,583**	**597,237**

Provisions, write-offs and utilisation of the allowance for impairment losses are presented in the consolidated statement of profit or loss within impairment and write off expense (Note 12).

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

20 INSURANCE RECEIVABLES

	2016	2015, reclassified
	GEL	GEL
Insurance premium receivable	15,142,122	11,620,544
Allowance for impairment losses	(2,166,879)	(1,223,105)
Net insurance premium receivable	12,975,243	10,397,439
Reinsurance receivable	-	1,372,108
Subrogation receivable	13,599,829	10,797,440
INSURANCE RECEIVABLES	**26,575,072**	**22,566,987**

There is no material difference between the fair value of financial assets included in insurance receivables and their carrying amount.

Analysis of credit risk is provided in Note 28.

The table below analyses changes in the allowance for impairment losses in the period.

	2016	2015
	GEL	GEL
At 1 January	**1,223,105**	**892,487**
Charge for the year	943,774	330,618
At 31 December	**2,166,879**	**1,223,105**

Provisions, write-offs and utilisation of the allowance for impairment losses are presented in the consolidated statement of profit or loss within impairment and write off expense (Note 12).

21 CASH AND CASH EQUIVALENTS AND AMOUNTS DUE FROM CREDIT INSTITUTIONS

	2016	2015
	GEL	GEL
Cash on current accounts with banks	2,257,407	1,408,870
Cash on hand	130,014	42,128
CASH AND CASH EQUIVALENTS	**2,387,421**	**1,450,998**
Short term deposits	2,633,080	2,692,172
Accrued interest	48,946	89,361
AMOUNTS DUE FROM CREDIT INSTITUTIONS	**2,682,026**	**2,781,533**

There is no material difference between the fair value and the carrying amount of cash and cash equivalents and amounts due from credit institutions.

Short term deposits include restricted cash placed on bank accounts to conform to the requirement of regulatory legislation. The amount of mandatory reserves is depended on the amount of estimated outstanding claims (insurance liabilities). Maturity of the deposits is not exceeding 1 year.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

22 EQUITY CAPITAL

Minimum amount of equity capital is defined by the regulatory legislation.

From authorized share capital of GEL 5,000,000 (500,000 ordinary shares with a nominal value of GEL 10 each) only GEL 1,600,000 is fully paid. Shareholders are presented in Note 1.

23 OTHER INSURANCE LIABILITIES

	2016	2015, reclassified
	GEL	GEL
Reinsurance premium payable	1,819,562	-
Advances received (deposits to secure suretyships)	14,010	2,075,723
Reinsurance share in subrogation	12,203,675	9,307,106
Insurance agents' commission payable	1,915,302	1,295,736
OTHER INSURANCE LIABILITIES	**15,952,549**	**12,678,565**

24 DEFERRED COMMISSION INCOME FROM REINSURANCE CONTRACTS

	2016	2015, reclassified
	GEL	GEL
AT 1 JANUARY	**118,589**	**211,725**
Gross commission income	271,755	333,392
Amortization	(208,327)	(426,528)
AT 31 DECEMBER	**182,017**	**118,589**

25 BORROWINGS

	2016	2015
	GEL	GEL
Procredit Bank JSC	791,360	782,886
Liberty Bank JSC	-	63,407
MG Capital Ltd	19,910	-
ICT Ltd	-	135,096
Other	-	129,206
BORROWINGS	**811,270**	**1,110,595**

There is no material difference between the carrying amount and the fair value of the Group's borrowings.

Additional information on borrowings is disclosed in Note 28 (liquidity and currency risks).

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

26 TRADE AND OTHER PAYABLES

	2016	2015, reclassified
	GEL	GEL
Accounts payable	384,342	169,470
Taxes payable	537,275	363,495
Other payables	-	65,399
TRADE AND OTHER PAYABLES	921,617	598,364

The carrying amount of trade and other payables is considered to be in line with their fair value at the reporting date.

27 DEFERRED TAX LIABILITY

The following table illustrates the deferred tax balances recognised in the consolidated statement of financial position and the movements of deferred tax assets and liabilities in respect of each type of temporary difference.

	Deferred tax assets	Deferred tax liabilities	Net deferred tax liability
	GEL	GEL	GEL
AT 1 JANUARY 2015	(55,116)	351,544	296,428
Property and equipment	-	(1,959)	(1,959)
Insurance receivables	-	(49,593)	(49,593)
Deferred acquisition costs	-	(33,354)	(33,354)
Other assets	(79,596)	-	(79,596)
AT 31 DECEMBER 2015	(134,712)	266,638	131,926
Property and equipment	-	(46,477)	(46,477)
Insurance receivables	-	(80,110)	(80,110)
Deferred acquisition costs	-	(140,051)	(140,051)
Other assets	134,712	-	134,712
AT 31 DECEMBER 2016	-	-	-

Previously recognized net deferred tax liability amounting to GEL 131,926 has been reversed following the changes in the Georgian tax legislation. On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. For insurance companies the law will be effective for tax periods starting after 1 January 2019.

Considering that the change in the Georgian Tax Code was enacted before the reporting date and the temporary differences realisable until 1 January 2019 are immaterial, the Group has recognized the effect of the change by derecognizing previously recognized deferred income taxes through the current period profit or loss as a part of income tax expense (Note 13).

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

28 INFORMATION ON INSURANCE AND FINANCIAL RISKS

(A) INSURANCE RISK

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The Group establishes underwriting guidelines and limits, which stipulate who may accept what risks and the applicable limits. These limits are continuously monitored.

The Group principally issues the following types of general insurance contracts: Property, Marine Transport Means (Hull), Cargo, Third Party Liability, 'Marine Third Party Liability, Surety ships, Travel, Road Transport Means, Personal Accident, Motor Third Party Liability, Financial Risks, Medical (Health). Risks under these policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes and natural disasters. For healthcare contracts the most significant risks arise from lifestyle changes, epidemic and so on. These risks vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry. Undue concentration by amounts can have a further impact on the severity of benefit payments on a portfolio basis.

Insurance risk management

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

Despite the fact that the Group currently does not use direct analysis in creating insurance claims provision and creates insurance provision according to Georgian legislation, which precisely defines what type of reserve should be made and in what quantity, claims provision is adequate to generated claims.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the insured sector and the risk management procedures they adopted. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims reserve, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a reserve for IBNR and a reserve for reported claims not yet settled.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available.

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

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

(B) FINANCIAL RISKS

In performing its operating, investing and financing activities, the Group is exposed to the following financial risks:

- Credit risk: the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the Group.
- Liquidity risk: the risk that the Group may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.
- Market risk: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the Group is exposed only to currency risk from market risk components.

In order to effectively manage those risks, the major guidelines used by the Group are the following:

- Minimise interest rate, currency and price risks for all kinds of transactions
- Maximise the use of "natural hedge" favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency. The same strategy is pursued with regard to interest rate risk
- All financial risk management activities are carried out on a prudent and consistent basis and following the best market practices.

The following table summarises the carrying amount of financial assets and financial liabilities recorded by category.

	2016	2015, reclassified
FINANCIAL ASSETS	**GEL**	GEL
Cash and cash equivalents	2,387,421	1,450,998
Amounts due from credit institutions	2,682,026	2,781,533
Net insurance premium receivable (Note 20)	12,975,243	10,397,439
Net reinsurance receivable (Note 20)	-	1,372,108
Net subrogation receivable (Notes 8, 20 and 23)	1,396,154	1,490,334
Net loans issued (Note 19)	1,625,902	1,348,225
BALANCE AT 31 DECEMBER	**21,066,746**	**18,840,637**

	2016	2015, reclassified
FINANCIAL LIABILITIES	**GEL**	GEL
Net insurance claims (net RBNS and IBNR, Note 18)	4,356,725	4,104,898
Other insurance liabilities (Note 23)	3,748,874	3,371,459
Borrowings	811,270	1,110,595
Trade and other payables	921,617	598,364
Current income tax	696,094	405,192
BALANCE AT 31 DECEMBER	**10,534,580**	**9,590,508**

Credit risk

The Group controls its exposure to credit risk by dealing only with creditworthy counterparties. There are no significant concentrations of credit risk.

The maximum credit risk to which the Group is exposed is summarised in the following table.

	2016
	GEL
Due from banks (Note 21)	4,939,433
Net past due insurance premium receivable (Note 20)	3,640,098
Net subrogation receivable (Notes 8, 20 and 23)	1,396,154
Net loans issued (Note 19)	1,625,902
BALANCE AT 31 DECEMBER	**11,601,587**

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Aging analysis of past due insurance premium receivable:

	2016
	GEL
Less than 31	786,751
Between 31-90	772,809
Between 91-180	534,846
Between 181-365	502,162
More than 365	3,210,409
Allowance for impairment losses	(2,166,879)
BALANCE AT 31 DECEMBER	3,640,098

Liquidity risk - Financial liabilities' maturity analysis
The Group manages liquidity risk on the basis of expected maturity dates.

The following tables analyse financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	Less than 1 year	1 year to 5 year	Over 5 years	Total
	GEL	GEL	GEL	GEL
Net insurance claims (net RBNS and IBNR, Note 18)	4,356,725	-	-	4,356,725
Other insurance liabilities (Note 23)	3,748,874	-	-	3,748,874
Borrowings	334,613	476,657	-	811,270
Trade and other payables	921,617	-	-	921,617
Current income tax	696,094	-	-	696,094
BALANCE AT 31 DECEMBER 2016	10,057,923	476,657	-	10,534,580
Net insurance claims (net RBNS and IBNR, Note 18)	4,104,898	-	-	4,104,898
Other insurance liabilities (Note 23)	3,371,459	-	-	3,371,459
Borrowings	606,852	503,743	-	1,110,595
Trade and other payables	598,364	-	-	598,364
Current income tax	405,192	-	-	405,192
BALANCE AT 31 DECEMBER 2015	9,086,765	503,743	-	9,590,508

At present, the Group expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Group expects the operating activity to generate sufficient cash inflows.

Guarantee contracts are appropriately secured.

Foreign currency risk
Foreign currency denominated assets and liabilities give rise to foreign exchange exposure. The Group does not have any formal procedures on managing currency risk, however, management consider themselves to be well informed on the tendencies in the economy and has undertaken steps to minimise its currency risks.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Financial assets by currency
Financial assets as at 31 December are analysed by currency as follows:

	GEL	USD	EUR	Total
	GEL	GEL	GEL	GEL
Cash and cash equivalents	1,262,660	1,111,273	13,488	2,387,421
Amounts due from credit institutions	1,076,586	1,605,440	-	2,682,026
Past due insurance premium receivable	4,249,875	1,477,148	79,954	5,806,977
BALANCE AT 31 DECEMBER 2016	**6,589,121**	**4,193,861**	**93,442**	**10,876,424**
Cash and cash equivalents	1,233,058	206,461	11,479	1,450,998
Amounts due from credit institutions	2,044,805	736,728	-	2,781,533
BALANCE AT 31 DECEMBER 2015	**3,277,863**	**943,189**	**11,479**	**4,232,531**

Financial liabilities by currency
The following table analyses the breakdown of liabilities by currency.

	GEL	USD	EUR	Total
	GEL	GEL	GEL	GEL
Borrowings	579,740	231,530	-	811,270
Trade and other payables	888,824	32,793	-	921,617
BALANCE AT 31 DECEMBER 2016	**1,468,564**	**264,323**	**-**	**1,732,887**
Other insurance liabilities	2,556,591	793,485	21,383	3,371,459
BALANCE AT 31 DECEMBER 2015	**2,556,591**	**793,485**	**21,383**	**3,371,459**

Sensitivity analysis
A 10% increase / decrease in the exchange rate of GEL/USD would increase / cut profits by GEL 392,954.

A 10% increase / decrease in the exchange rate of GEL/EUR would increase / cut profits by GEL 9,344.

29 RELATED PARTY TRANSACTIONS

Loans issued (Note 19) include loans to the entities controlled by key management in amount of GEL 40,778 (2015: 55,592) and loans to key management in amount of GEL 198,049 (2015: 181,371).

Salaries (Note 10) include the salaries of key management in amount of GEL 827,038 (2015: 573,486).

30 EVENTS AFTER THE REPORTING PERIOD

These consolidated financial statements were authorised for issue by the management on 18 April 2017.

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

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

31 SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Deferred acquisition costs (DAC)
The amount of acquisition costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the acquisition. Those direct and indirect costs incurred during the financial period arising from the acquiring or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums from insurance contract. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DACs are amortised over the period in which the related revenues are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are derecognised when the related contracts are either settled or disposed of.

Useful lives of property, plant and equipment and intangible assets
Property, plant and equipment and intangible assets are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

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

Impairment of insurance and reinsurance receivables
The Group estimates impairment of receivables derived from insurance and reinsurance contracts. Factors that the Group considers whether a financial asset is impaired is its overdue status or bad credit rating of a debtor. The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.