შპს „სადაზღვევო კომპანია არდი ჯგუფი“

ფინანსური ანგარიშგება

დამოუკიდებელი აუდიტორის დასკვნასთან ერთად

საანგარიშგებო წლისთვის, რომელიც დასრულდა 2014 წლის 31 დეკემბერს

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NOTES TO THE FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the owners and management of Insurance Company Ardi Group LLC

We have audited the accompanying Financial Statements of the Insurance Company Ardi Group LLC (hereinafter - the Company), which comprise the Statement of Financial Position as at 31 December 2014 and the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. Those standards 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 misstatement.

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

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

Basis for Qualified Opinion

As it is disclosed in Note 13 of the financial statements, valuation of the Company's building was made on 29 March 2011 by an independent valuator. We could not reach an appraiser working files, therefore we were unable to examine if revaluation results were fair. Therefore, we are unable to express an opinion on the revalued amount (which equals to GEL 1,422,214 and GEL 1,497,763 as of 31 December 2014 and 2013, respectively), as well as on accuracy of the revaluation reserve (which equals to GEL 92,497 for the reporting and comparative date).

As of 31 December 2013 in the Statement of Financial Position the Company presented as part of its own capital authorized but not paid capital with total value of Gel 223,200 and with the same amount is increased receivable from shareholders, which we believe is contrary to the requirements of International Financial Reporting Standards.

In 2014 and 2013 the company recognized subrogation from Suretyships and Casco insurance with appropriate reinsurance share. We were unable to obtain sufficient and appropriate evidence in order to ensure that subrogations were recognized and estimated in accordance to the requirements of International Financial Reporting Standards, though reinsurance share in subrogation was recognised with the appropriate proportion of the reinsurance contract. We have not determined whether it was necessary to adjust recognized revenue from subrogation reduced with reinsurance share presented in the financial statements which equals to GEL3,031,085 and GEL 809,999 for the year ended 31 December 2014 and 2013, respectively (Note 7), also subrogation receivables reduced with reinsurance share which equals to GEL1,383,137 and GEL 809,999 as of 31 December 2014 and 2013, respectively (Note 20 and 24) and appropriate impairment charge.

As it is disclosed in Note 27 to the financial statements, the Company has trade payables with the amount of GEL 402,359 as of 31 December 2014. We were unable to obtain third party confirmation letters on these payables and due to specification of Company's accounting records we were unable to obtain sufficient and appropriate audit evidence on trade payables as of 31 December 2014 from other alternative procedures.

Qualified Opinion

In our opinion, except for possible effects of the matters described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter - re-issue of the financial statements

In the auditor's report dated 15 May 2015, we did not express an opinion on the financial statements due to inability to obtain sufficient and appropriate evidence on the financial statements captions. After this, management reviewed and restated presented information. Due to complexity of the issue, our opinion refers to the financial statements as a whole without identification of amendments as a result of restatement. The changes only relate to the financial statements for the year ended 31 December 2014 and do not have effect on comparative information.

19 June 2015

BDO LLC

Tbilisi, Georgia

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

As and for the year ended 31 December 2014

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Insurance Company Ardi Group LLC (hereinafter - the Company).

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company at 31 December 2014 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 Company 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 Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Company operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2014 were approved on behalf of the management on 19 June 2015 by:

General Director ______________________ Armaz Tavadze

Finance Director ______________________ Besik Natenadze

INSURANCE COMPANY ARDI GROUP LLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

(In Georgian Lari)

	Note	2014	2013
Gross written premium		22,486,818	19,079,745
Reinsurer's share of gross written premium on insurance contracts		(3,586,351)	(3,202,844)
Net written premium		**18,900,467**	**15,876,901**
Changes in unearned premium reserves		(645,095)	(3,810,944)
Changes in the re-insurers portion in reserves for unearned premiums		(775,277)	864,320
Net insurance revenue	4	**17,480,095**	**12,930,277**
Interest income	5	377,476	153,206
Commission income	6	681,280	479,193
Total revenue		**18,538,851**	**13,562,676**
Insurance benefits and claims paid		(10,557,095)	(6,974,198)
Changes in other insurance reserves		(9,229,922)	(4,016,273)
Insurance claims and loss adjustment expenses recovered from reinsurers		9,334,643	3,067,263
Total insurance benefits and claims	7	**(10,452,374)**	**(7,923,208)**
Commision expenses	8	(2,339,683)	(1,278,070)
General and Administrative expenses	9	(3,082,843)	(2,107,842)
Marketing and advertising expenses	10	(753,482)	(719,675)
bad and doubtful expenses	20	(203,613)	(1,001,886)
Interest expense	11	(172,028)	(83,951)
Other income and expenses/net		(102,345)	6,619
Net foreign exchange gain (loss)		(103,675)	(40,191)
Total expenses		**(17,210,043)**	**(13,148,204)**
Profit (loss) before taxation		**1,328,808**	**414,472**
Income tax expenses	12	(211,117)	(211,481)
Net profit		**1,117,691**	**202,991**
Other comprehensive income		-	-
Total comprehensive income for the year		**1,117,691**	**202,991**

These financial statements were approved by managements on 19 June 2015 and were signed on its behalf by:

General Director ____________________ Armaz Tavadze

Finance Director ____________________ Besik Natenadze

The notes on pages 10-39 form an integral part of these financial statements.

INSURANCE COMPANY ARDI GROUP LLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(In Georgian Lari)

	Note	31 December 2014	31 December 2013
ASSETS			
Property and equipment	13	1,707,810	1,726,093
Intangible assets	14	28,266	35,910
Investment property	15	404,320	376,800
Foreclosed assets	16	847,000	366,572
Deferred acquisition costs	17	1,156,028	777,055
Reinsurance assets	18	10,646,597	3,546,310
Receivables from capital contribution		-	223,200
Other assets	19	1,933,052	2,175,718
Insurance receivables	20	21,865,238	13,360,262
Amounts due from credit institutions	21	2,196,129	651,100
Cash and cash equivalents	22	6,755,618	3,867,228
Total assets		**47,540,058**	**27,106,248**
OWNER'S EQUITY AND LIABILITIES			
Owner's equity			
Charter capital	23	1,600,000	1,600,000
Retained earnings		1,864,581	982,040
Revaluation surplus		92,497	92,497
Total equity		**3,557,078**	**2,674,537**
Liabilities			
Liabilities from insurance contracts	18	22,674,182	12,799,165
Other insurance liabilities	24	16,599,219	8,649,889
Deferred commission income from reinsurance contracts	25	211,725	246,611
Borrowings	26	2,179,470	1,528,951
trade and other payables	27	1,817,220	829,074
deferred tax liability	28	296,428	116,671
Current income tax		204,736	261,350
Total liabilities		**43,982,980**	**24,431,711**
Total owner's equity and liabilities		**47,540,058**	**27,106,248**

These financial statements were approved by managements on 19 June 2015 and were signed on its behalf by:

General Director _______________ Armaz Tavadze

Finance Director _______________ Besik Natenadze

The notes on pages 10-39 form an integral part of these financial statements.

INSURANCE COMPANY ARDI GROUP LLC

STATEMENT ON CHANGES IN EQUITY

For the year ended 31 December 2014

(In Georgian Lari)

	Statutory Capital	Retained earnings	revaluation reserve	Total
Balance at 31 December 2012	**1,600,000**	**976,898**	**92,497**	**2,669,395**
Dividend paid	-	(197,849)	-	**(197,849)**
Total comprehensive income for the year	-	202,991	-	**202,991**
Balance at 31 December 2013	**1,600,000**	**982,040**	**92,497**	**2,674,537**
Dividend paid	-	(235,150)	-	**(235,150)**
Total comprehensive income for the year	-	1,117,691	-	**1,117,691**
Balance at 31 December 2014	**1,600,000**	**1,864,581**	**92,497**	**3,557,078**

These financial statements were approved by managements on 19 June 2015 and were signed on its behalf by:

General Director _________________ Armaz Tavadze

Finance Director _________________ Besik Natenadze

INSURANCE COMPANY ARDI GROUP LLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

(In Georgian Lari)

	Note	2014	2013
Cash flows from operating activities			
Profit for the year before income tax		**1,328,808**	**414,472**
Adjustments for:			
Depreciation and amortization	9	158,317	107,635
Changes in insurance liabilities		9,875,017	7,827,217
Changes in reinsurance assets		(7,100,287)	(2,824,828)
Amortization of deferred acquisition cost	8	2,339,683	1,278,070
Amortization of deferred commission income	6	(681,280)	(479,193)
Effect of unrealised exchange rate changes		65,886	(54,212)
Interest expense	11	172,028	83,951
Interest income	5	(377,476)	(153,206)
Bad and doubtful debt expenses	20	203,613	1,001,886
Cash flows from operating activities before changes in working capital		**5,984,309**	**7,201,792**
Increase in deferred acquisition costs		(2,718,656)	(1,264,211)
Increase in insurance receivables		(8,341,151)	(9,868,940)
Increase in foreclosed assets		(480,428)	(100,000)
(Increase)/decrease in other assets		482,772	(1,087,749)
(Increase)/decrease in amounts due from credit institutions		(1,545,029)	911,671
Increase in other insurance liabilities		7,883,444	6,914,773
Increase/(decrease) in trade and other liabilities		988,146	(134,007)
Increase in deferred commission income from reinsurance contracts		646,394	579,983
Cash generated from operations		**2,899,801**	**3,153,312**
Interest paid		(54,062)	(63,047)
Income tax paid		(87,970)	(8,066)
Net cash flows from operating activities		**2,757,769**	**3,082,199**
Investing activities			
Purchase of fixed and intangible assets		(159,910)	(737,314)
Received money from granted loans		1,076,401	210,511
Loans granted		(1,526,827)	(894,053)
Interest received		220,354	123,480
Net cash used in investing activities		**(389,982)**	**(1,297,376)**
Financing activities			
Proceeds from borrowings		2,002,790	1,040,000
Repayment of borrowings		(1,470,237)	(140,005)
Owner contribution		223,200	-
Dividend paid		(235,150)	(197,849)
Net cash from financing activities		**520,603**	**702,146**
Net Increase in cash and cash equivalents		**2,888,390**	**2,486,969**
Cash and cash equivalents at the beginning of year		**3,867,228**	**1,380,259**
Cash and cash equivalents at the end of year		**6,755,618**	**3,867,228**

These financial statements were approved by managements on 19 June 2015 and were signed on its behalf by:

General Director ______________ Armaz Tavadze

Finance Director ______________ Besik Natenadze

The notes on pages 10-39 form an integral part of these financial statements.

1. General Information

Insurance Company Ardi Group LLC (the "Company") was established on 30 March 2010. The Company's main activity is to provide non-life insurance services and insurance products relating to property, liability, personal insurance, guarantee and others. As at 31 December 2014 the Company was operating by head office and six branches. The Company's legal address is 3 Vazha Pshavela Ave, Tbilisi, Georgia.

The company's mission is to identify customer needs, create a client-orientated insurance products, provide the constantly improved quality service, as a result, to obtain many years loyalty of insured people.

Insurance Company Ardi Group deals with the worlds leading reinsurance companies to reinsurance large and medium size risks. Most of them are well known for Georgian insurance market and adapted to its specific requirements. Partner selection is an important issue and emphasis on the ratings assigned by Standard & Poors and already recognized reputation in the world.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 *Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB), and are in accordance with IFRSs as issued by the IASB.

These financial statements have been prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future. The management and shareholders have the intention to further develop the business of the Company in Georgia. The management believes that the going concern assumption is appropriate for the Company.

Financial statements have been prepared under the historical cost bases except for the buildings which are carried at revalued amount following initial recognition.

The reporting period for the Company is the calendar year from January 1 to December 31.

Management prepared financial statements for the year ended 31 December 2014 for the second time after 15 May 2015 in order to eliminate mistakes made in preparation of previous financial statements. The changes only relate to the financial statements for the year ended 31 December 2014 and do not have effect on comparative information.

The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates that affect carrying amount of assets and liabilities for the reporting date as well as amount of income and expenses during the reporting period. Actual results may be different from current estimates. Estimates are reviewed periodically. Adjustments due to changes in accounting estimates belong to the financial outcomes of the period when changes took place. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

2.2 *Adoption of new or revised standards and interpretations*

a) New standards, interpretations and amendments effective from 1 January 2014

A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) 1 January 2014, have been adopted in these financial statements. The nature and effect of each new standard, interpretation and amendment adopted by the Company is detailed below:

- Amendment to IFRS 10, IFRS 12 and IAS 27 - Invesment Entities
- Amendment to IAS 32 - Offsetting financial assets and financial liabilities
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;

2.Summary of significant accounting policies (continued)

- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;
- IFRIC 21 Levies

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

There is no effect of these amendments on the financial statements as the Company does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets. The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

IFRIC 21 *Levies*. The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date.

There was no effect of the interpretation on these financial statements.

The Company did not adopt any other standards, amendments or interpretations that were issued bu not yet effective.

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IAS 19 - Defined Benefit Plans: Employee contributions
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27 - Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

IFRS 15 *Revenue from Contracts with Customers*. In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

2.Summary of significant accounting policies (continued)

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Company does not anticipate that the application of these amendments will have a material impact of the Company’s financial statements.

IFRS 9 *Financial Instruments*. IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced

2.Summary of significant accounting policies (continued)

with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Company anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses straight-line method for depreciation and amortization of its property and equipment and intangible assets, respectively. The management of the Company does not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

2.3 *Foreign currency translation*

a) ***Functional and presentation currency***

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Financial statements are presented in Georgian lari, which is the Company's functional and presentation currency.

b) ***Transactions and balances***

Monetary assets and liabilities denominated in foreign currencies are translated using year-end official exchange rate set by the National Bank of Georgia. Foreign exchange gains and losses are reflected in income statement. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Non-monetary items denominated in foreign currencies are translated using the exchange rate prevailing at the date of the transaction.

Year-end exchange rates used in translation of foreign balances as of 31 December 2014 and 2013 were as follows:

	Official rate of the National Bank of Georgia	
	USD	**EUR**
Exchange rate as at 31.12.2014	1.8636	2.2656
Exchange rate as at 31.12.2013	1.7363	2.3891

2.4 *Insurance contracts – classification*

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The significance of insurance risk is dependent on both the probability of an insured event and the

2.Summary of significant accounting policies (continued)

magnitude of its potential effect.

Contract Bonds issued by the Company are guaranteeing the performance of contractual obligations, contract Bonds can be:

- Advance Payment Bonds - Securing the proper use or repayment of the advance payments made to the Principal by the Beneficiary under or for the purposes of the contract, where such sum is advanced before the carrying out of works, the performance of services or the supply of provision of any goods pursuant to such contract. The bond usually decreases according to the progress of construction.
- Performance Bond - Protecting the Beneficiary against the financial loss if the Principal fails to fulfill the terms and conditions of the (underlying) written contract.
- Tender/Bid Bond: Used to pre-qualify contractors submitting proposals on potential contracts and serve to guarantee that the contractor, if awarded the construction project, will enter into a contract at the estimate submitted at the bid letting (as well be in the position to provide the required project bonds). The Beneficiary is provided protection up to the amount of the bid, which is a percentage of the total contract, if the bidder fails to honor its commitment.
- Customs Bonds (Same as we call Financial Risks insurance policies) - Guaranteeing the proper declaration and timely payment of customs and excise duty, import duty or re-exportation to the Customs & Excise Authorities at due date (temporary importation, transit procedures etc.).

Contract bonds are accounted as insurance contracts.

2.5 Deferred acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts as follows:

- For property and casualty DAC is amortised over the terms of the policies as premium is earned;
- For long-term insurance contracts without fixed terms DAC is amortised over the expected total life of the contract.

The pattern of expected profit margins is based on historical and anticipated future experience and is updated at the end of each accounting period. The resulting change to the carrying value of the DAC is charged to revenue.

2.6 Value of business acquired (VOBA)

On acquisition of a portfolio of contracts, directly from another insurer the Company recognises an intangible asset representing the value of business acquired (VOBA). VOBA represents the present value of future profits embedded in acquired insurance contracts and investment contracts with DPF. The Company amortises VOBA over the effective life of the acquired contracts on the same basis as DAC (see above).

2.7 Liability adequacy test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC and VOBA assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC or VOBA and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

2.8 *Reinsurance contracts held*

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Insurance contracts entered into by the

2.Summary of significant accounting policies (continued)

Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment on a annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

2.9 Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets.

(i) *Salvage and subrogation reimbursements*

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.10 Reserves for loss and loss adjustment expenses

Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported but not settled insurance claims (RBNS) and reserves for incurred but not reported losses (IBNR).

(i) reported but not settled insurance claims (RBNS)

The Company forms reserve for reported but not settled involving known claims of insurers (re-insurers) at the reporting date confirmed by the relevant statements.

The amount of reserve for reported but not settled insurance claims at the reporting date are the amount of reserved unpaid insurance money under known claims of insurers, with respect to which the decision on complete or partial failure in premiums payment was not made.

The amount of reserve for reported but not settled insurance claims is reported in the Company’s balance sheet as liabilities.

2.Summary of significant accounting policies (continued)

(i) reserves for incurred but not reported losses (IBNR)

Amount of IBNR reserves comprises, for all types of insurance contracts except from Medical (Health), 5% of market premium and for Medical (Health) insurance – 2% of market premium. Market premium includes gross written premium.

The amount of reserve for incurred but not reported insurance claims is reflected in the Company's balance as liabilities.

2.11 ***Financial instruments***

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

The Company's accounting policy for each category is as follows:

(a) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and loans granted, but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables and loans granted, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized in the statement of comprehensive income. On confirmation that the trade receivable and loan granted will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's loans and receivables comprise insurance and reinsurance receivables, issued loans and cash on current accounts.

Cash and cash equivalent includes cash on hand and cash incurrent accounts.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

(a) Those that the entity upon initial recognition designates as at fair value through profit or loss

(b) Those that the entity designates as available for sale; and

(c) Those that meet the definition of loans and receivables.

In current period the Company does not have held-to-maturity investments.

(c) Fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

(a) It is classified as held for trading. A financial asset is classified as held for trading if it is:

(i) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term

2.Summary of significant accounting policies (continued)

(ii) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(b) Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only:

(i) If a contract contains one or more embedded derivatives. In this case an entity may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss unless:

- The embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
- It is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortized cost; or

(ii) When doing so results in more relevant information, because either:

- It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or recognizing the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

In current period the Company does not have financial assets at fair value through profit or loss.

(d) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

In current period the Company does not have available-for-sale financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions (see financial assets for detailed information):

(a) It is classified as held for trading

(b) Upon initial recognition it is designated by the entity as at fair value through profit or loss.

In current period the Company does not have financial liabilities at fair value through profit or loss.

(b) *Other financial liabilitie*s

Other financial liabilities include the following items:

- Trade payables which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

2.Summary of significant accounting policies (continued)

Derecognition of financial assets

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2.12 *Property and equipment*

Property and equipment, except for buildings, are stated at cost, less accumulated depreciation and provision for impairment, where required. The cost of an item of property and equipment includes current estimation of future cash flow related to its purchase price, any costs directly attributable to bringing the asset to the location, costs of dismantling and removing the item and restoring the site on which it is located. Appropriate obligation is incured when the item is acquired.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Following initial recognition, buildings are carried at revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. Revaluations are performed frequently enough to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting period.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case the increase is recognized in the statement of profit or loss to the extent of the decrease previously charged.

Depreciation is calculated using the straight-line method to allocate their cost or devalued amounts to their residual values over their estimated useful lives.

Depreciation is calculated on a straight line basis at the following useful lives:

Group	Useful life (year)
Buildings	10-25
Computers and other technical equipments	5
Furniture and office equipments	5
Vehicles	7
Leasehold Improvements	According to lease agreement
Other	3 – 5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net in the statement of comprehensive income.

2.13 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost.

2.Summary of significant accounting policies (continued)

2.14 Intangible Assets

Accounting software

Accounting software is recognized at cost, subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Amortization is calculated using the straight-line method to allocate their cost or devalued amounts to its residual value over its estimated useful live. According to management's judgement intangible asset will be amortised over expected useful live of five years.

2.15Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rate (and laws) that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity where there is an intention to settle the balances on a net basis.

2.16 *Insurance premium*

All insurance premiums are recognised upon issuing the policy, while the earnings are recognised on the proportional basis, within the period of validity of the policy. Premiums written at the reporting date but still pending are estimated based on the results of underwriting evaluation or according to the previous experience and the premiums are then included in the earned premiums.

If the insurance policy turns invalid due to the uncollected premiums, all related accumulated premium income, which is also not collected, shall then be deducted.

Unearned premium is the part of the premiums, written throughout the year, related to the post reporting date risk periods. Unearned premiums are mainly calculated on a daily or monthly basis proportionally.

2.17 Financial and operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3 Critical accounting estimates and judgments

Company 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.

Estimates and assumptions

a) 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 Company's most significant accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company 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.

b) Deferred policy 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. For long-term insurance contracts without fixed terms and insurance contracts with DAC are amortised over the expected total life of the contract as a constant percentage of estimated gross profit margins arising from these contracts in accordance with the accounting policy stated in Note 2.5 In current period company doesn't have any long term insurance contracts.

c) 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.

d) Income tax

Company 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 Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities.

e) Impairment of insurance and reinsurance receivables

Company estimates impairment of receivables derived from insurance and reinsuance contracts. Factors that the Company 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.

4 Net earned premium

Net earned premium by insurance types for the year ended 31 December 2014 and 2013 can be presented as follows:

	2014			2013		
	Gross written premium	Reinsurer's share in gross written premium	Net written premium	Gross written premium	Reinsurer's share in gross written premium	Net written premium
Medical (Health)	11,762,497	-	11,762,497	10,059,010	-	10,059,010
Suretyships	2,904,547	(2,119,882)	784,665	2,589,079	(1,708,897)	880,182
Road Transport Means	2,544,905	-	2,544,905	2,825,38	-	2,825,382
Property	2,390,912	(66,990)	2,323,922	1,221,641	(256,876)	964,765
Cargo	1,547,300	(1,395,754)	151,546	776,064	(557,046)	219,018
Third Party Liability	711,522	(3,725)	707,797	557,801	(14,551)	543,250
Personal Accident	237,972	-	237,972	55,694	(2,258)	53,436
Motor Third Party Liability	221,543	-	221,543	176,528	-	176,528
Travel	149,306	-	149,306	97,059	-	97,059
Financial loss Risks	14,080	-	14,080	-	-	-
Aviation Transport Means (Hull)	1,734	-	1,734	12,223	(8,895)	3,328
Marine Third Party Liability	500	-	500	-	-	-
Marine Transport Means (Hull)	-	-	-	696,585	(652,313)	44,272
Aviation Third Party Liability	-	-	-	12,679	(2,008)	10,671
	22,486,818	**(3,586,351)**	**18,900,467**	**19,079,745**	**(3,202,844)**	**15,876,901**
Changes in unearned premium reserves	(645,095)	(775,277)	(1,420,372)	(3,810,944)	864,320	(2,946,624)
Net insurance revenue	**21,841,723**	**(4,361,628)**	**17,480,095**	**15,268,801**	**(2,338,524)**	**12,930,277**

5 Interest income

Interest income for the years ended 31 December, 2014 and 2013 can be presented as follows:

	2014	2013
Interest income from deposits	96,691	76,543
Interest income from loans issued	280,785	76,663
	377,476	**153,206**

6 Commission Income

Commission income for the years ended 31 December, 2014 and 2013 can be presented as follows:

	2014	2013
Commission Income (Note 25)	646,394	568,300
Commission Income deffered	(179,725)	(231,015)
Amortization of prior period income deffered	214,611	130,225
Other	-	11,683
	681,280	**479,193**

7 Net insurance claims

Net insurance claims for the years ended 31 December, 2014 and 2013 can be presented as follows:

	2014	**2013**
General insurance claims paid	(13,553,421)	(9,042,150)
Gross change in outstanding claims	(9,229,922)	(4,016,273)
Other expenses related to claims handling	(34,759)	(64,767)
Subrogations and recoveries	12,342,080	5,053,523
	(10,476,022)	**(8,069,667)**
Reinsurer's share of general insurance claims paid	1,459,079	1,106,755
Reinsurer's share of change in outstanding claims	7,875,564	1,960,508
Reinsurer's share in subrogations and recoveries	(9,310,995)	(2,920,804)
	23,648	**146,459**
Net insurance claims	**(10,452,374)**	**(7,923,208)**

8 Acquisition cost

Acquisition costs for the years ended 31 December 2014 and 2013 can be presented as follow:

	2014	**2013**
Acquisition costs (Note 17)	(2,737,663)	(1,952,362)
Acquisition costs deferred	1,135,234	763,659
Amortization of deferred acquisition cost	(737,254)	(89,367)
	(2,339,683)	**(1,278,070)**

9 General and administrative expenses

General and administrative expenses for the years ended 31 December 2014 and 2013 can be presented as follows:

	2014	**2013**
Salaries	(1,983,397)	(1,120,933)
Rent	(218,252)	(146,019)
Depreciation and Amortisation	(158,317)	(107,635)
Public register and notary service fees	(159,160)	(95,793)
Communication expenses	(80,124)	(63,493)
Stationery	(77,263)	(73,943)
Representative expenses	(65,830)	(85,308)
Consultation expenses	(60,991)	(31,750)
Office expenses	(57,699)	(134,392)
Repair and maintenance	(45,754)	(35,152)
Utility	(27,470)	(18,808)
Property tax	(27,314)	(19,136)
Bank charges	(24,954)	(17,010)
Business trip	(22,823)	(13,870)
Charity	(21,364)	-
Fuel	(13,196)	(69,574)
Fines	-	(5,000)
Other expense	(38,935)	(70,026)
	(3,082,843)	**(2,107,842)**

10 Marketing and advertising expenses

Marketing and advertising expenses for the years ended 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Salary of sales staff	(439,900)	(563,346)
Advertising expenses	(296,322)	(138,077)
Other sales expenses	(17,260)	(18,252)
	(753,482)	**(719,675)**

11 Interest expense

Interest expense for the years ended 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Interest expense on bank loans	(56,254)	(63,047)
Interest expense on other loans	(115,774)	(20,904)
	(172,028)	**(83,951)**

12 Income tax expense

Income tax expense for the years ended 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Current tax	(31,360)	(88,235)
Effect of temporary differences	(179,757)	(123,246)
	(211,117)	**(211,481)**

Reconciliation between the expected and the actual taxation charge is provided below:

	2014	2013
Profit before income tax	**1,328,808**	**414,472**
Applicable tax rate	15%	15%
Theoretical income tax	**(199,321)**	**(62,171)**
Expenses not deductible for tax purposes	(11,796)	(149,310)
	(211,117)	**(211,481)**

13 Property and equipment

Property and equipment as at 31 December 2014 and 2013 can be presented as follows:

Historical cost:	Buildings	Computers and other technical equipments	Furniture and office equipments	vehicles	Other	Total
Balance at December 31, 2012	**1,076,222**	**49,242**	**56,013**	**-**	**8,273**	**1,189,750**
Acquisitions	552,475	92,398	21,845	57,500	6,403	**730,621**
Disposals	-	-	-	-	-	**-**
Balance at December 31, 2013	**1,628,697**	**141,640**	**77,858**	**57,500**	**14,676**	**1,920,371**
Acquisitions	-	57,735	61,425	440	37,930	**157,530**
Disposals	-	-	-	(2,572)	(23,767)	**(26,339)**
Balance at December 31, 2014	**1,628,697**	**199,375**	**139,283**	**55,368**	**28,839**	**2,051,562**
Depreciation:						
Balance at December 31, 2012	**(72,657)**	**(16,496)**	**(5,967)**	**-**	**(3,554)**	**(98,674)**
Depreciation for the period	(58,277)	(20,170)	(13,067)	(2,257)	(1,833)	**(95,604)**
Depreciation of disposals	-	-	-	-	-	**-**
Balance at December 31, 2013	**(130,934)**	**(36,666)**	**(19,034)**	**(2,257)**	**(5,387)**	**(194,278)**
Depreciation for the period	**(75,549)**	**(31,326)**	**(26,882)**	**(11,236)**	**(4,481)**	**(149,474)**
Depreciation of disposals	**-**	**-**	**-**	**-**	**-**	**-**
Balance at December 31, 2014	**(206,483)**	**(67,992)**	**(45,916)**	**(13,493)**	**(9,868)**	**(343,752)**
Carrying amounts:						
Balance at December 31, 2013	**1,497,763**	**104,974**	**58,824**	**55,243**	**9,289**	**1,726,093**
Balance at December 31, 2014	**1,422,214**	**131,383**	**93,367**	**41,875**	**18,971**	**1,707,810**

The Company’s building was revalued on 29 March 2011 by independent valuator –Giorgi Lezhava.

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

At 31 December	**2014**	**2013**
Cost	1,519,877	1,519,877
Accumulated depreciation	(193,186)	(118,913)
Net book value	**1,326,691**	**1,400,964**

The Company’s building as at 31 December 2014 have been pledged to Procredit Bank as collateral for borrowing.

14 Intangible assets

Intangible assets of the Company include softwares for accounting and operational activities. The assets have defined useful life - 5 years. Amortization expense of intangible assets in 2014 and 2013 were GEL 8,843 and GEL 12,031 respectively

15 Investment property

Investment property includes lands on the Company's balance sheet. Total area of the lands is 54,987 square meters. The lands are located in Georgia, particulatly, in Village Orbeti/Tetritskaro, Gorgasali Street/Khobi and Village Dighomi/Tbilisi. Asset’s fair value equals to its book value.

16 Foreclosed asset

Foreclosed assets include salvage property which is recognised in assets when the related claims are settled. Those assets particularly include land and buildings. Some of the assets have been seized by Tbilisi and Kutaisi City Court.

17 Deferred acquisition costs

Movements on deferred acquisition costs ("DAC") as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
At 1 January	**777,055**	**790,914**
Expenses deferred	2,737,663	1,952,362
Cancelation	(19,007)	(688,151)
Amortization	(2,339,683)	(1,278,070)
At 31 December	**1,156,028**	**777,055**

18 Insurance contract liabilities and reinsurance assets

Insurance contract liabilities and reinsurance assets as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Insurance contract liabilities		
Unearned premium provision	8,855,766	8,210,671
Provisions for claims reported by policyholders	13,042,128	3,843,714
Provisions for claims incurred but not reported (IBNR)	776,288	744,780
	22,674,182	**12,799,165**

reinsurance assets	**2014**	**2013**
Reinsurers' share in unearned premium reserve	705,750	1,481,027
Reinsurers' share in provisions for claims reported by policyholders	9,745,043	1,815,359
Reinsurers' share in provisions for claims incurred but not reported (IBNR)	195,804	249,924
	10,646,597	**3,546,310**

Insurance contract liabilities net of reinsurance	**2014**	**2013**
Unearned premium reserve	8,150,016	6,729,644
Provisions for claims reported by policyholders	3,297,085	2,028,355
Provisions for claims incurred but not reported (IBNR)	580,484	494,856
	12,027,585	**9,252,855**

18. Insurance contract liabilities and reinsurance assets (continued)

Analysis of movements in insurance contract liabilities and reinsurance assets as at 31 December 2014 and 2013 can be presented as follows:

a) Provision for unearned premium:

	2014	2013
Balance at 1 January	8,210,671	4,399,727
Gross premium Written	22,486,818	19,079,745
Gross earned premium	(21,841,723)	(15,268,801)
Balance at 31 December	**8,855,766**	**8,210,671**

Reinsurer's share in unearned premium reserve

	2014	2013
Balance at 1 January	1,481,027	616,707
Reinsurer's share of gross written premium	3,586,351	3,202,844
Reinsurer's share of earned premium	(4,361,628)	(2,338,524)
Balance at 31 December	**705,750**	**1,481,027**

Unearned premium reserve, net

	2014	2013
Balance at 1 January	6,729,644	3,783,020
Net written premium	18,900,467	15,876,901
Net earned premium	(17,480,095)	(12,930,277)
Balance at 31 December	**8,150,016**	**6,729,644**

b) Claims provisions:

Gross liabilities	2014	2013
Balance of incurred but not reported at 1 January	744,780	412,427
Balance of reported but not settled claims at 1 January	3,843,714	159,794
Total balance of provisions for claims at 1 January	**4,588,494**	**572,221**
Payments in respect of prior year claims	(1,624,959)	(365,293)
Change in estimates in respect of prior year claims	(1,168,272)	(136,197)
Expected cost of current year claims	23,951,615	13,194,620
Payments in respect of current year claims	(11,928,462)	(8,676,857)
Total balance of provisions for claims at 31 December	**13,818,416**	**4,588,494**
Balance of incurred but not reported at 31 December	776,288	744,780
Balance of reported but not settled at 31 December	13,042,128	3,843,714

18. Insurance contract liabilities and reinsurance assets (continued)

Reinsurer's share	**2014**	**2013**
Balance of incurred but not reported at 1 January	249,924	79,261
Balance of reported but not settled at 1 January	1,815,359	25,514
Total balance of provisions for claims at 1 January	**2,065,283**	**104,775**
Payments in respect of prior year claims	(455,761)	(20,317)
Change in estimates in respect of prior year claims	(328,466)	(84,458)
Expected cost of current year claims	9,663,109	3,151,721
Payments in respect of current year claims	(1,003,318)	(1,086,438)
Total balance of provisions for claims at 31 December	**9,940,847**	**2,065,283**
Balance of incurred but not reported at 31 December	195,804	249,924
Balance of reported but not settled at 31 December	9,745,043	1,815,359

Claims provisions, net	**2014**	**2013**
Balance of incurred but not reported at 1 January	494,856	333,166
Balance of reported but not settled at 1 January	2,028,355	134,280
Total balance of provisions for claims at 1 January	**2,523,211**	**467,446**
Payments in respect of prior year claims	(1,169,198)	(344,976)
Change in estimates in respect of prior year claims	(839,806)	(51,739)
Expected cost of current year claims	14,288,506	10,042,899
Payments in respect of current year claims	(10,925,144)	(7,590,419)
Total balance of provisions for claims at 31 December	**3,877,569**	**2,523,211**
Balance of incurred but not reported at 31 December	580,484	494,856
Balance of reported but not settled at 31 December	3,297,085	2,028,355

Insurance contract liabilities and reinsurance assets – terms, assumptions and sensitivities

General insurance contracts

(1) Terms and conditions

The major classes of general insurance written by the Company include Property, Marine Transport Means (Hull), Cargo, Third Party Liability, Marine Third Party Liability, Suretyships, 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, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date. The provisions are refined consistently as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

(2) Assumptions

For the calculation of the IBNR reserve including the liability adequacy test we refer to note 2 – Summary of accounting policies, Insurance Contract Liabilities.

19 Other assets

Other assets as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Issued loans	1,785,648	2,095,637
Paid advances	261,903	-
Inventory	139,483	11,553
Prepayments to employees	82,883	10,211
Other receivables	30,577	58,317
	2,300,494	**2,175,718**
Provision for impairment on issued loans	(367,442)	-
	1,933,052	**2,175,718**

Issued loans can be presented as follows:

	2014	2013
Current portion	1,746,741	1,908,829
Non-current portion	38,907	186,808
	1,785,648	**2,095,637**

Issued loans contain loans with maturity date 1-3 years to persons and companies. Interest rate on loans varies from 12% to 30%.

20 Receivables from insurance and reinsurance contracts

Receivables from insurance and reinsurance contracts as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Insurance premium receivable	9,142,790	9,248,908
Reinsurance receivable	13,614,936	4,356,792
Subrogation receivable	-	807,871
Other	-	3,007
	22,757,726	**14,416,578**
Provision for impairment on insurance receivables	(892,487)	(601,511)
Provision for impairment on subrogation receivable	-	(454,805)
	21,865,239	**13,360,262**

The movements on allowance for receivables were as follows:

	2014			
	Insurance premium receivable	**Subrogation receivable**	**Issued loans (Note 19)**	**Total**
At 1 January	(601,511)	(454,805)	-	**(1,056,316)**
Charge/Reversal for the year	(290,976)	454,805	(367,442)	**(203,613)**
Amount written off	-	-	-	**-**
At 31 December	**(892,487)**	**-**	**(367,442)**	**(1,259,929)**

	2013			
	Insurance premium receivable	Subrogation receivable	Issued loans	Total
At 1 January	(274,334)	(178,685)	-	**(453,019)**
Charge/Reversal for the year	(385,544)	(616,342)	-	**(1,001,886)**
Amount written off	58,367	340,222	-	**398,589**
At 31 December	**(601,511)**	**(454,805)**	**-**	**(1,056,316)**

21 Amounts Due from credit institutions

Amounts due from credit institutions as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
short term deposits	2,129,417	620,890
Accrued interest	66,712	30,210
	2,196,129	**651,100**

Amounts due from credit institutions are represented by short (for more than 3 months) and medium-term placements.

Amounts due from credit institutions include restricted cash placed on bank account to conform to the requirement of regulatory legislation. The amount of mandatory reserves is depended on the amount of estimated outstanding claims (insurance liabilities).

Additional information on currency and maturity dates is presented in Note 29.

22 Cash and cash equivalents

Cash and cash equivalents as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Cash on current accounts with banks	6,519,597	42,092
Cash on hand	236,021	3,825,136
	6,755,618	**3,867,228**

Additional information on currency types is disclosed in Note 29.

23 Statutory capital

Information about the shareholders of the Company as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Armaz Tavadze	50%	50%
Zurab Khizanishvili	30%	30%
Zaza Nishnianidze	20%	20%
	100%	**100%**

24 Other insurance liabilities

Other insurance liabilities as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Reinsurance premium payable	1,026,942	3,396,858
Received advances	3,340,478	2,332,226
Reinsurance share in subrogation	12,231,799	2,920,805
	16,599,219	**8,649,889**

25 Deferred commission income

Deferred commission income as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
As at 1 January	246,611	145,821
Income deferred	646,394	568,300
Amortization (Note 6)	(681,280)	(467,510)
At 31 December	**211,725**	**246,611**

26 Borrowings

Borrowings as at 31 December 2014 and 2013 can be presented as follows:

	2014		2013	
	Current	Non-current	Current	Non-current
Principal	333,359	1,698,335	1,333,318	168,614
Interest	147,776	-	27,019	-
	481,135	**1,698,335**	**1,360,337**	**168,614**

The interest rates on the borrowings vary from 14% to 18%. Additional information on borrowings is disclosed in Note 29.

27 Trade and other payables

Trade and other payables as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
Payable acquisition costs	1,001,732	452,228
Accounts payable	402,359	193,959
Taxes payable	343,495	176,184
Accruals for employee compensation	11,072	6,703
Other liabilities	58,562	
	1,817,220	**829,074**

28 Deferred tax liabilities

Change in deferred tax assets/liabilities as at 31 December 2014 and 2013 can be presented as follows:

	2014	2013
At 1 January	**(116,671)**	**6,575**
Recognised in profit and loss		
Tax expense	(179,757)	(123,246)
Recognised in other comprehensive income	-	-
At 31 December	**(296,428)**	**(116,671)**

Deferred tax assets/liabilities by temporary differences as at 31 December 2014 and 2013 can be presented as follows:

	Asset	Liability	Net	(Charged)/ credited to profit or loss	(Charged)/ credited to equity
	2014	2014	2014	2014	2014
Property and equipment	-	(48,436)	(48,436)	(11,099)	-
Intangible assets	-	-	-	(277)	-
Insurance receivables	-	(129,703)	(129,703)	(166,651)	-
DAC	-	(173,405)	(173,405)	(56,846)	-
Other assets	55,116	-	55,116	55,116	-
Tax asset/(liabilities)	**55,116**	**(351,544)**	**(296,428)**	**(179,757)**	**-**
Set off of tax	(55,116)	55,116	-	-	-
Net tax liabilities	**-**	**(296,428)**	**(296,428)**	**(179,757)**	**-**

	Asset	Liability	Net	(Charged)/ credited to profit or loss	(Charged)/ credited to equity
	2013	2013	2013	2013	2013
Property and equipment	-	(37,337)	(37,337)	(10,188)	-
Intangible assets	277	-	277	570	-
Insurance receivables	36,947	-	36,947	(82,113)	-
DAC	-	(116,558)	(116,558)	(463)	-
Net insurance liabilities	-	-	-	(31,052)	-
Tax asset/(liabilities)	**37,224**	**(153,895)**	**(116,671)**	**(123,246)**	**-**
Set off of tax	(37,224)	37,224	-	-	-
Net tax liabilities	**-**	**(116,671)**	**(116,671)**	**(123,246)**	**-**

29 Risk management

Risk management therefore is a critical component of its insurance activities. Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls. Each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The main financial risks inherent to the Company's operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Company's risk management policies in relation to those risks is presented below.

29.1. *Capital management objectives, policies and approach*

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its owners.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

The operations of the Company are also subject to local regulatory requirements within the jurisdiction where it operates.

Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions e.g. Capital adequacy to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The Company's capital management policy for its insurance and non-insurance business is to hold sufficient liquid assets to cover statutory requirements based on the Supervisory Body directives.

Approach to capital management

The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated manner, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company.

29.2. *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 Company 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 Company establishes underwriting guidelines and limits, which stipulate who may accept what risks and the applicable limits. These limits are continuously monitored.

29. Risk management (continued)

The Company 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 Company, 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.

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 Company. The Company 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 Company. The Company 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 Company 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 Company 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 Company, where information about the claim event is available.

At the end of each reporting period the Company assess whether its recognized insurance liabilities are adequate: the Company 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.

29. Risk management (continued)

29.3. *Financial Risk Management*

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Currency risk

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

Financial assets	2014	2013
Insurance and reinsurance receivables	21,865,238	13,360,262
Other financial assets	1,785,648	2,095,637
Amount due from credit institutions	2,196,129	651,100
Cash and cash equivalents (less cash on hand)	6,519,597	3,825,136
	32,366,612	**19,932,135**

Financial Liabilities	2014	2013
Other insurance liabilities	16,599,219	8,649,889
interest bearing financial liabilities	2,179,470	1,528,951
trade and other payables	1,404,091	646,187
	20,182,780	**10,825,027**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer (insurer and reinsurer) or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Generally Credit risk of company is related to sales of insurance product (postpone of payments) and is connected to creditworthiness of each customer.

The Company's Management has established a credit policy under which each customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references.

In monitoring customer credit risk, customers are grouped according to their overdue status, including whether they are an individual or legal entity, geographic location, industry and so on. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the management, and further cooperation is made necessary on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of insurance and subrogation receivables. The main components of this allowance are collective loss allowance, determined based on ageing analysis and overdue status for each customers individually. Another component represents specific loss component that relates to individually significant exposures.

29. Risk management (continued)

The aging of financial assets according to credit risk analyze of the company as at 31 December, 2014 can be presented as follows:

	Cash and cash equivalents (except cash on hand)	Amounts due from credit institutions	Insurance receivables	Other financial assets	Total
Current	6,519,597	2,196,129	12,663,216	981,975	**22,360,917**
Past due but not impaired	-	-	7,480,320	277,699	**7,758,019**
Individually determined to be impaired	-	-	1,216,657	-	**1,216,657**
Collectively determined to be impaired:	-	-	-	-	**-**
less than 30	-	-	413,533	304,997	**718,530**
between 30-90	-	-	244,226	-	**244,226**
between 91-180	-	-	154,205	3,871	**158,076**
between 181-365	-	-	186,254	157,591	**343,845**
More than 365	-	-	399,314	59,515	**458,829**
	6,519,597	**2,196,129**	**22,757,725**	**1,785,648**	**33,259,099**
Provision for impairment	-	-	(892,487)	-	**(892,487)**
Total	**6,519,597**	**2,196,129**	**21,865,238**	**1,785,648**	**32,366,612**

The aging of financial assets according to credit risk analyze of the company as at 31 December, 2013 can be presented as follows:

	Cash and cash equivalents (except cash on hand)	Amounts due from credit institutions	Insurance receivables	Other financial assets	Total
Current	3,825,136	651,100	11,558,510	2,045,637	18,080,383
Past due but not impaired	-	-	535,518	50,000	585,518
Individually determined to be impaired	-	-	834,708	-	834,708
Collectively determined to be impaired:					
less than 30	-	-	221,952	-	221,952
between 30-90	-	-	345,944	-	345,944
between 91-180	-	-	264,161	-	264,161
between 181-365	-	-	306,864	-	306,864
More than 365	-	-	348,921	-	348,921
	3,825,136	**651,100**	**14,416,578**	**2,095,637**	**20,988,451**
Provision for impairment	**-**	**-**	**(1,056,316)**	**-**	**(1,056,316)**
Total	**3,825,136**	**651,100**	**13,360,262**	**2,095,637**	**19,932,135**

Liquidity Risk

Liquidity risk refers to the availability of sufficient funds to meet loan repayments and other financial commitments associated with financial instruments as they actually fall due. Top management controls these types of risks by means of maturity analysis, determining the Company's strategy for the next financial period.

In order to manage liquidity risk, the Company performs regular monitoring of future expected cash flows, which is a part of assets/liabilities management process.

29. Risk management (continued)

An analysis of the liquidity as at 31 December, 2014 is presented in the table below:

	Up to 1 month	1 month to 3 months	3 month to one year	1 year to 5 year	Over 5 years	Total
Financial assets						
Amount due from credit institutions	-	-	2,196,129	-	-	**2,196,129**
Cash and cash equivalents	6,755,618	-	-	-	-	**6,755,618**
Insurance and reinsurance receivables	14,103,656	6,033,987	1,165,734	561,861	-	**21,865,238**
Other financial assets	1,100,117	464,328	175,665	45,538	-	**1,785,648**
Total financial assets	**21,959,391**	**6,498,315**	**3,537,528**	**607,399**	**-**	**32,602,633**
Financial liabilities						
interest bearing financial liabilities	308,585	30,248	142,302	1,698,335	-	**2,179,470**
Other insurance liabilities	13,646,760	400,126	2,357,333	195,000	-	**16,599,219**
trade and other payables	1,404,091	-	-	-	-	**1,404,091**
Total financial liabilities	**15,359,436**	**430,374**	**2,499,635**	**1,893,335**	**-**	**20,182,780**
Liquidity gap	**6,599,955**	**6,067,941**	**1,037,893**	**(1,285,936)**	**-**	
Cumulative liquidity gap	**6,599,955**	**12,667,896**	**13,705,789**	**12,419,853**	**12,419,853**	

An analysis of the liquidity as at 31 December, 2013 is presented in the table below:

	Up to 1 month	1 month to 3 months	3 month to one year	1 year to 5 year	Over 5 years	Total
Financial assets						
Amount due from credit institutions	-	-	651,100	-	-	**651,100**
Cash and cash equivalents	3,867,228	-	-	-	-	**3,867,228**
Insurance and reinsurance receivables	8,617,722	3,686,932	373,422	682,186	-	**13,360,262**
Other financial assets	1,139,115	194,060	575,654	186,808	-	**2,095,637**
Total financial assets	**13,624,065**	**3,880,992**	**1,600,176**	**868,994**	**-**	**19,974,227**
Financial liabilities						
interest bearing financial liabilities	12,506	25,686	1,322,145	168,614	-	**1,528,951**
Other insurance liabilities	8,649,889	-	-	-	-	**8,649,889**
trade and other payables	646,187	-	-	-	-	**646,187**
Total financial liabilities	**9,308,582**	**25,686**	**1,322,145**	**168,614**	**-**	**10,825,027**
Liquidity gap	**4,315,483**	**3,855,306**	**278,031**	**700,380**	**-**	
Cumulative liquidity gap	**4,315,483**	**8,170,789**	**8,448,820**	**9,149,200**	**9,149,200**	

Market Risk

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors.

Market risk arises from the Company’s use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk).

29. Risk management (continued)

Interest Rate Risk

The interest rate risk is the risk (with variable value) related to the interest-bearing assets – loans, because of the variable rate. In current period the Company does not have any borrowings with variable interest rate.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to foreign currency exchange rate risk as at 31 December 2014 is presented in the table below:

	USD USD 1 = 1.8636GEL	EUR EUR1 = 2.2656 GEL	Total
Amount due from credit institutions	636,969	-	**636,969**
Cash and cash equivalents	739,012	719	**739,731**
Financial assets	**1,375,981**	**719**	**1,376,700**
Other insurance liabilities	350,780	10,670	**361,450**
Financial liabilities	**350,780**	**10,670**	**361,450**
Open balance sheet position	**1,025,201**	**(9,951)**	**1,015,250**

The Company's exposure to foreign currency exchange rate risk as at 31 December 2013 is presented in the table below:

	USD USD 1 = 1.7363 GEL	EUR EUR 1 = 2.3891 GEL	Total
Amount due from credit institutions	541,369	-	**541,369**
Cash and cash equivalents	369,291	1,194	**370,485**
Other financial assets	-	168,447	**168,447**
Financial assets	**910,660**	**169,641**	**1,080,301**
Other insurance liabilities	1,738,685	502,500	**2,241,185**
Financial liabilities	**1,738,685**	**502,500**	**2,241,185**
Open balance sheet position	**(828,025)**	**(332,859)**	**(1,160,884)**

Currency risk sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in the USD/EUR against the GEL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates.

29. Risk management (continued)

Impact on net profit and equity based on asset values as at 31 December 2014:

	USD impact 2014		EURO impact 2014	
	GEL/USD + 10%	**GEL/USD - 10%**	**GEL/EURO + 10%**	**GEL/EURO - 10%**
Profit/(loss)	102,520	(102,520)	(995)	995

Impact on net profit and equity based on asset values as at 31 December 2013:

	USD impact 2013		EURO impact 2013	
	GEL/USD + 10%	**GEL/USD - 10%**	**GEL/EURO + 10%**	**GEL/EURO - 10%**
Profit/(loss)	(82,803)	82,803	(33,286)	33,286

30 Transactions with related parties

Related parties or transactions with related parties, as defined by IAS 24 'Related party disclosures', represent:

a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives then significant influence over the Company; and that have joint control over the Company;
b) Members of key management personnel of the Company or its parent;
c) Close members of the family of any individuals referred to in (a) or (b);
d) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Company and other related parties are disclosed below:

	2014		2013	
	Related party balances	**Total category as per the financial statements caption**	**Related party balances**	**Total category as per the financial statements caption**
Other assets	**131,687**	**1,933,052**	**168,448**	**2,175,718**
Loan issued to shareholder	131,687	-	168,448	-

Key management compensation is presented below:

	2014		2013	
	Related party transactions	**Total category as per the financial statements caption**	**Related party transactions**	**Total category as per the financial statements caption**
Key management personnel compensation:	**(216,549)**	**(1,983,397)**	**(138,715)**	**(1,120,933)**
- short-term employee benefits	(216,549)	-	(138,715)	-

31 Post balance sheet events

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

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