INSURANCE COMPANY EUROINS GEORGIA GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

These consolidated financial statements are presented in GEL.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT AND SHAREHOLDERS OF JSC INSURANCE COMPANY EUROINS GEORGIA GROUP

Opinion

We have audited the consolidated financial statements of Insurance Company Euroins Georgia JSC and its subsidiary (hereinafter the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for other information. Other information consists of the information included in the Consolidated Management Report of the Group other that the consolidated financial statements and our auditor's report thereon. The Management Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or does not materially comply with the requirements of the respective regulatory acts, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Malkhaz Ujmajuridze.

For and on behalf of Nexia TA LLC

Malkhaz Ujmajuridze

10 March, 2020

Tbilisi, Georgia

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In thousands of GEL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019	2018
Gross earned premiums		14,459	11,466
Premiums ceded to reinsurers		(2,701)	(3,283)
Net insurance revenue	**3**	**11,758**	**8,183**
Interest income	6	458	200
Change in fair value of investment properties	18	258	60
Gain from sale of subsidiaries	7	560	-
Net foreign exchange gain	12	477	199
Other income	8	287	403
Total other income		**2,040**	**862**
Gross insurance benefits and claims paid	4	(10,443)	(6,689)
Claims ceded to reinsurers	4	3,291	2,047
Changes in other insurance reserves	5	3,684	1,335
Changes in other insurance reserves ceded to reinsurers	5	(4,379)	(1,343)
Net insurance claims		**(7,847)**	**(4,650)**
Salaries and other employee benefits		(2,197)	(2,333)
General and other administrative expenses	9	(711)	(1,670)
Impairment charge	10	(881)	(787)
Acquisition costs, net of reinsurance	11	(2,027)	(656)
Depreciation and amortization expenses	17	(411)	(6)
Interest expense	6	(180)	(64)
Other expenses	8	(333)	(490)
Total other expenses		**(6,740)**	**(6,006)**
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(789)**	**(1,611)**
Income tax benefit	16	172	128
NET LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(617)**	**(1,483)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(617)**	**(1,483)**

Approved for issue and signed on behalf of the Management on 10 March 2020 by:

Iakob Edilashvili
General Director

Levan Kakulia
Chief Financial Officer

JSC INSURANCE COMPANY "EUROINS GEORGIA"
204491344

The accompanying notes on pages 8 to 38 are an integral part of these Consolidated Financial Statements.

In thousands of GEL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 December, 2019	31 December, 2018
Cash and cash equivalents	13	1,141	397
Amounts due from credit institutions	13	5,435	5,074
Insurance and reinsurance receivables	14	6,676	5,181
Reinsurance assets	5	2,556	7,592
Financial instruments held-to-maturity	15	-	614
Deferred income tax asset	16	2,833	2,661
Property and equipment	17	2,655	1,610
Investment property	18	1,689	1,912
Other assets	19	3,566	668
Total assets		**26,551**	**25,709**
EQUITY			
Share capital	20	3,238	3,125
Share premium	20	4,390	4,073
Retained earnings		1,626	2,243
Total equity		**9,254**	**9,441**
LIABILITIES			
Insurance contracts liabilities	5	8,341	11,425
Other insurance liabilities	21	3,789	2,854
Borrowings	22	235	16
Financial lease liabilities	23	2,848	-
Trade and other payables	24	767	968
Taxes payable	25	1,317	1,005
Total liabilities		**17,297**	**16,268**
Total equity and liabilities		**26,551**	**25,709**

Approved for issue and signed on behalf of the Management on 10 March 2020 by:

Iakob Edilashvili
General Director

JSC INSURANCE COMPANY "EUROINS GEORGIA" 204491344

Levan Kakulia
Chief Financial Officer

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Note 20)	Share premium (Note 20)	Revaluation surplus	Retained earnings	Total
At 31 December 2017	**2,430**	**-**	**1,062**	**2,664**	**6,156**
Issue of ordinary shares	695	4,073	-	-	4,768
Total comprehensive loss for the year	-	-	-	(1,483)	(1,483)
At 31 December 2018	**3,125**	**4,073**	**1,062**	**1,181**	**9,441**
Issue of ordinary shares	113	317	-	-	430
Total comprehensive loss for the year	-	-	-	(617)	(617)
At 31 December 2019	**3,238**	**4,390**	**1,062**	**564**	**9,254**

Approved for issue and signed on behalf of the Management on 10 March 2020 by:

Iakob Edilashvili
General Director

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Levan Kakulia
Chief Financial Officer

In thousands of GEL

CONSOLIDATED STATEMENT OF CASH FLOWS

	2019	2018
Cash flows from operating activities		
Premium received	13,932	10,667
Cash paid to reinsurer	2,235	(1,366)
Claims paid	(10,767)	(5,955)
Acquisition costs	(1,201)	(950)
Subrogation received	241	162
Cash payments to employees	(2,585)	(1,800)
Net interest income	290	36
Administrative and other payments	(1,792)	(1,580)
Net cash flows from / (used in) operating activates before tax	**353**	**(786)**
Penalties paid	(3)	(7)
Taxes paid	(741)	(664)
Net cash flows used in operating activities from continuing operations	**(391)**	**(1,457)**
Net cash flow used in operating activates from discontinued operations	(4)	-
Net cash flows used in operating activities	**(395)**	**(1,457)**
Cash flows from investing activities		
Time deposits	(1)	(3,560)
Purchase of property and equipment	(302)	(46)
Loans issued, net	(2,466)	-
Proceeds from sale of investments in subsidiaries	2,541	55
Investments in financial instruments, net	683	(607)
Net cash flows from / (used in) investing activities	**455**	**(4,158)**
Cash flows from financing activities		
Overdrafts received, net	80	-
Loans received, net	142	363
Proceeds from sale of shares	430	3,809
Net cash flows from financing activities	**652**	**4,172**
Net increase / (decrease) in cash and cash equivalents	**712**	**(1,443)**
Cash and cash equivalents at the beginning of the year	**397**	**1,902**
Net effect of exchange rates changes on cash and cash equivalents	32	(62)
Cash and cash equivalents at the end of the year	**1,141**	**397**

Approved for issue and signed on behalf of the Management on 10 March 2020 by:

Iakob Edilashvili	Levan Kakulia
General Director	Chief Financial Officer

The accompanying notes on pages 8 to 38 are an integral part of these Consolidated Financial Statements.

In thousands of GEL

1. GENERAL INFORMATION

Insurance Company Euroins Georgia JSC (the Company) is a Joint-Stock Company domiciled in and registered under the laws of Georgia. The Company operates by head office and three service centers and provides different insurance services in Georgia (see Note 4). The registered office of the Company is 24 Mosashvili St, Tbilisi, 0162 Georgia.

The Company was incorporated in 2005 under the name Insurance Company IC Group. In 2009 it acquired and merged People's Insurance JSC. At the end of 2018, Euroins Insurance Group AD (Bulgaria) acquired 50.04% of the Company and the Company's name has been changed.

The shareholders of the Company as at the year-end are:

	2019	2018
Euroins Insurance Group AD (Bulgaria)	50.04%	50.04%
LLC Altegi	49.55%	-
Tengiz Mezurnishvili	-	49.55%
IIC Georgia B.V.	0.41%	0.41%
	100.00%	100.00%

The Company and the Subsidiaries are together referred to as the "Group". As at December 31, 2019 and December 31, 2018 the Company owns 100% of Global Call Ltd and Shardeni 2017 Ltd which are not functioning. The Company sold 100% subsidiary - Agaraki Ltd (the subsidiary) in 28 March 2019, which was owned by Company as at December 31, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2019.

The consolidated financial statements comprise a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. The statement of financial position format is in order of liquidity.

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

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

(B) APPLICATION OF NEW AND AMENDED STANDARDS

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by IASB that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. This refers to IFRS 9 *Financial Instruments* – the Group used temporary exemption of its adoption (see below).

The following Accounting Standards and Interpretations are most relevant to the company:

- Amendments to IFRS 4 titled *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued in September 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, give all insurers the option to recognise in other comprehensive income, rather than in profit or loss, the volatility that could arise when IFRS 9 is applied before implementing IFRS 17 ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying IFRS 9, thus continuing to apply IAS 39 instead ('the deferral approach').

- IFRS 9 *Financial Instruments* (issued in July 2014) – For the Group this standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2021. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
  - IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
  - For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
  - For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
  - For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
  - The derecognition provisions are carried over almost unchanged from IAS 39.

- IFRS 17 *Insurance Contracts* (issued in May 2017) - The Standard that replaces IFRS 4, effective for annual periods beginning on or after 1 January 2021 (earlier application permitted only if IFRS 9 and IFRS 15 also applied), requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance

(B) APPLICATION OF NEW AND AMENDED STANDARDS (continued)

contracts, giving a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

(C) BASIS OF CONSOLIDATION

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

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

The Company derecognized investment in its subsidiary – Agaraki LLC, during financial year 2019 and the Company has only non-functioning subsidiary companies as at the year-end 31 December, 2019.

(D) JOINT ARRANGEMENTS: JOINT OPERATION

A joint arrangement is an arrangement of which two or more parties have joint control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement (in contrast to joint venture, where the parties have rights to the net assets of the arrangement). Where the Group is a joint operator in a joint operation, it recognizes in relation to its interest in a joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly; (c) its revenue from the sale of its share of the output arising from the joint operation; (d) its share of the revenue from the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly.

(E) INSURANCE REVENUE AND EXPENSES RECOGNITION

Gross premiums

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

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

Reinsurance premiums

Gross reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognized on the date on which the policy incepts. Premiums

Reinsurance premiums (continued)

include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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

Insurance benefits and claims

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

(F) FINANCIAL INSTRUMENTS

Initial recognition and measurement

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

Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition. During the reporting period, the Group classified financial assets as:

- Loans and receivables - non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or collectability. Typically trade and other receivables, bank balances and cash are classified in this category.
- Held-to-maturity financial assets - 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. Similar to loans and receivables, these assets are carried at amortised cost using the effective interest method minus any reduction for impairment and uncollectibility.

Impairment of financial assets

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

that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

In addition, for insurance premium receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments,

Impairment of financial asset (continued)

an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

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

Derecognition of financial assets

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

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

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

Subsequent measurement of financial liabilities

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

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

Derecognition of financial liabilities

A financial liability is removed from the Group’s statement of financial position only when the liability is discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Assets related to insurance

- Insurance premium receivable is the sum of earned (past due) and unearned premiums receivable.
- Reinsurance receivable is the reinsurer's share in claims payable (included in other insurance liabilities).
- Reinsurance assets represent the reinsurer's share in liabilities from insurance contracts.
- Subrogation receivable (other assets) is the fair value of recoveries receivable from third parties to reimburse some or all costs of insurance claims.

(G) LIABILITIES FROM INSURANCE CONTRACTS

Insurance contract liabilities include the outstanding claims provision and the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported (RBNS) or not (IBNR), together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be

(G) LIABILITIES FROM INSURANCE CONTRACTS (CONTINUED)

experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. IBNR is calculated at the reporting date in accordance with the state regulation: 5% of annual gross premiums for all types of insurance contracts other than medical (health) and 2% of annual gross premiums for medical (health) insurance. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

The unearned premiums reserve (UPR) represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. UPR is calculated net of commissions to intermediaries and other acquisition costs.

Liability adequacy test

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

(H) PROPERTY AND EQUIPMENT

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

After initial recognition, items of property and equipment other than buildings are carried at cost less any accumulated depreciation and impairment losses. Buildings are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the

carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the

increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

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

Buildings	5% straight line
Leasehold improvement	15% straight line
Office equipment	20% straight line
Land is not depreciated	

(H) PROPERTY AND EQUIPMENT (CONTINUED)

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement

of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Right of Use Asset

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company

• the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

• the Group has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

(H) PROPERTY AND EQUIPMENT (CONTINUED)

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities are recorded separately.

(I) INTANGIBLE ASSETS

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

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset - measured as the

difference between the net disposal proceeds and the carrying amount of the asset - are recognized in profit or loss when the asset is derecognized.

(J) INVESTMENT PROPERTY

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

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

Subsequently, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

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

(K) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of property and equipment, intangible assets, investment property and DAC are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the

In thousands of GEL

(K) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

(L) FOREIGN CURRENCY TRANSACTIONS

Foreign currency monetary assets and liabilities are translated into the functional currency of the Group (Georgian Lari, "GEL") using the exchange rates officially published by the National Bank of Georgia at the reporting date: Gains and losses arising from changes in exchange rates after the date of the transaction are recognized in profit or loss.

	31 December 2019	31 December 2018
1 USD/GEL	2.8677	2.6766
1 EUR/GEL	3.2095	3.0701

Average rate:

	31 December 2019	31 December 2018
1 USD/GEL	2.8192	2.5345
1 EUR/GEL	3.1553	2.9913

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

(M) INCOME TAXES

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

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

(M) INCOME TAXES (CONTINUED)

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

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

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

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except if it arises from transactions or events that are recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or directly in equity, respectively.

(N) PROVISIONS

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

(O) EQUITY

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

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

(P) SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The ultimate liability arising from claims made under insurance contracts

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

The ultimate liability arising from claims made under insurance contracts (continued)

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.

Impairment of insurance, reinsurance and subrogation receivables

The Group estimates impairment of receivables derived from insurance and reinsurance contracts. Factors that the Group considers whether a financial asset is impaired is its overdue status or bad credit rating of a debtor. The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material

individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

Useful lives of property and equipment and intangible assets

Property 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.

Fair value of investment property

Fair value of properties is determined by independent professionally qualified appraisers. Fair value is mainly determined using the sales comparison method. The estimate is subject to change as new transaction data and market evidence becomes available.

Income tax

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

In thousands of GEL

3. NET INSURANCE REVENUE

The group net insurance revenue for 2019 and 2018 consist of following:

	2019			2018		
	Gross premiums / (cancellations)	**Premiums ceded to reinsurers**	**Net premiums**	**Gross premiums / (cancellations)**	**Premiums ceded to reinsurers**	**Net premiums**
Health	4,722	(22)	4,700	4,819	(2,279)	2,540
Road Transport Means (Casco)	4,584	(15)	4,569	2,134	(101)	2,033
Motor Third Party Liability (Compulsory)	2,262	0	2,262	1,859	0	1,859
Property	847	(502)	345	610	(407)	203
Financial Loss Risks	1,171	(546)	625	453	(72)	381
Agriculture	339	(192)	147	395	(215)	180
Motor Third Party Liability	715	0	715	317	(6)	311
Engineering (Construction) Risks	79	(43)	36	297	(160)	137
Cargo	532	(334)	198	188	(110)	78
Aviation related	0	0	0	(670)	664	(6)
Other	761	(334)	427	365	(122)	243
	16,012	**(1,988)**	**14,024**	**10,767**	**(2,808)**	**7,959**
Changes in unearned premium reserves	(1,552)	(714)	(2,266)	699	(475)	224
Net insurance revenue	**14,459**	**(2,701)**	**11,758**	**11,466**	**(3,283)**	**8,183**

Health insurance includes the product called ‘life insurance’. Actually, the product is a short-term insurance contract, based on which a fixed amount is paid to a beneficiary when the insured person dies within the contract term.

Compulsory insurance of Motor Third Party Liability refers to compulsory insurance of motor transport registered in foreign countries and moving in Georgia. It is administered by Compulsory Insurance Center (Non-Commercial Legal Entity). The Center started functioning on 1 March 2018 in accordance with Georgian legislation. Compulsory insurance of MTPL is a joint operation where 17 insurance companies operating in Georgia (including the Group) are joint operators and share the insurance revenue and risks equally.

Unearned premium reserve is disclosed in Note 6.

In thousands of GEL

4. INSURANCE CLAIMS PAID

The group insurance claims paid for 2019 and 2018 consist of following:

	2019			2018		
	Paid	**Ceded to reinsurers**	**Net payment**	**Paid**	**Ceded to reinsurers**	**Net payment**
Health	3,526	10	3,536	3,394	(46)	3,348
Aviation related	6	(6)	-	1,543	(1,543)	-
Road Transport Means (Casco)	3,595	(50)	3,545	1,427	(32)	1,395
Agriculture	341	(256)	85	236	(189)	47
Property	76	(48)	28	183	(162)	21
Other	3,723	(2,941)	782	311	(75)	236
Other expenses related to claims handling	112	0	112	90	0	90
Subrogation income	(937)	0	(936)	(495)	0	(495)
Insurance benefits and claims paid	**10,443**	**(3,291)**	**7,152**	**6,689**	**(2,047)**	**4,642**

5. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

The group insurance contract liability and reinsurance assets for 2019 and 2018 consist of following:

Insurance contract liabilities	**31 December, 2019**	**31 December, 2018**
Unearned premiums reserve(UPR)	4,344	3,744
Provisions for claims reported by policyholders(RBNS)	3,406	7,325
Provisions for claims incurred but not reported (IBNR)	591	356
Loss adjustment expenses reserve (LAER)	-	-
Liability from insurance contracts	**8,341**	**11,425**

Reinsurance assets	**31 December, 2019**	**31 December, 2018**
Reinsurers' share in unearned premiums Reserve(UPR)	518	1,173
Reinsurers' share in provisions for claims reported by policyholders(RBNS)	2,038	6,418
Reinsurers' share in provisions for claims incurred but not reported(IBNR)	-	-
Reinsurers' share in Loss adjustment expenses reserve	-	-
Reinsurance assets	**2,556**	**7,591**

	31 December, 2019	**31 December, 2018**
Unearned premium reserve (UPR)	3,826	2,571
Provisions for claims reported by policyholders (RBNS)	1,368	907
Provisions for claims incurred but not reported (IBNR)	591	356
NET LIABILITIES FROM INSURANCE CONTRACTS	**5,785**	**3,834**

At 31 December 2019 provisions for claims reported by policyholders and reinsurers' share in the provision includes GEL 818 and GEL 818 (2018: GEL 2,108 and GEL 2,108) respectively related to the reported loss on Aviation TPL (Third Party Liability) policy by Georgian Airways. The policy was 100% reinsured under the reinsurance treaty signed with insurance broker Marsh Ltd.

In thousands of GEL

a) Analyses of movement in UPR, gross of reinsurance:

	2019	2018
Balance at 1 January	**3,744**	**4,495**
Gross written premium	16,012	10,768
Change due to recognition net of acquisition costs	(953)	(52)
Gross earned premium	(14,459)	(11,467)
Balance at 31 December	**4,344**	**3,744**

b) Analyses of movement in UPR, reinsurer's share:

	2019	2018
Balance at 1 January	1,173	**1,566**
Reinsurer's share of gross written premium	1987	2,808
Change due to recognition net of acquisition income	59	82
Gross reinsurer's earned premium	(2,701)	(3,283)
Balance at 31 December	**518**	**1,173**

c) Analyses of movement in UPR, net of reinsurance):

	2019	2018
Balance at 1 January	**2,571**	**2,929**
Net written premium	14,025	7,960
Change due to recognition net of acquisition costs	(953)	(52)
Change due to recognition net of acquisition income	(59)	(82)
Net earned premium	(11,758)	(8,184)
Balance at 31 December	**3,826**	**2,571**

d) Analyses of movement in claims provisions, gross of reinsurance:

	2019	2018
Balance of reported but not settled claims at 1 January	7,325	8,762
Balance of incurred but not reported at 1 January	356	254
Total provisions for claims at 1 January	**7,681**	**9,016**
Claims incurred during the period	6,759	5,354
Claims paid during the period	(10,443)	(6,689)
Changes in other insurance reserves	**(3,684)**	**(1,335)**
Total provisions for claims at 31 December	**3,997**	**7,681**
Balance of reported but not settled claims at 31 December	3406	7,325
Balance of incurred but not reported at 31 December	591	356

e) Analyses of movement in claims provisions, reinsurer's share:

	2019	2018
Balance of reported but not settled claims at 1 January	6,418	7,760
Balance of incurred but not reported at 1 January	-	-
Total provisions for claims at 1 January	**6,418**	**7,760**

In thousands of GEL

Claims incurred during the period	(1,088)	704
Claims paid during the period	(3,291)	(2,047)
Changes in other insurance reserves	**(4,379)**	**(1,343)**
Total provisions for claims at 31 December	**2,038**	**6,417**
Balance of reported but not settled claims at 31 December	2,038	6,417
Balance of incurred but not reported at 31 December	-	-

f) Analyses of movement in claims provisions, net of reinsurance:

	2019	2018
Balance of reported but not settled claims at 1 January	908	1,002
Balance of incurred but not reported at 1 January	356	254
Total provisions for claims at 1 January	**1,264**	**1,256**
Claims incurred during the period	7,847	4,650
Claims paid during the period	(7,152)	(4,642)
Changes in other insurance reserves	**696**	**8**
Total provisions for claims at 31 December	**1,959**	**1,264**
Balance of reported but not settled claims at 31 December	1,369	908
Balance of incurred but not reported at 31 December	591	356

6. INTEREST INCOME AND EXPENSE

The group interest income and expense for 2019 and 2018 consist of following:

	2019	2018
Amounts due from credit institutions	242	173
Loans issued and receivables	207	21
Cash and cash equivalents	9	6
INTEREST INCOME	458	200
Borrowings	(4)	(64)
Financial lease liabilities	(176)	-
INTEREST EXPENSE	**(180)**	**(64)**

7. GAIN FROM SALE OF SUBSIDIARY

The group gain from sale of subsidiary for 2019 and 2018 consist of following:

	2019	2018
Consideration received	2,500	-
Net assets disposed	(1,940)	-
Gain from sale of subsidiaries	**560**	**-**

The gain was due to disposal of the following subsidiary, all of them operating in Georgia:

In thousands of GEL

	Ownership	
Agaraki LLC	after disposal	before disposal
	-	**100%**

8. OTHER INCOME AND EXPENSES

The group other income and expenses for 2019 and 2018 consist of following:

Other income	2019	2018
Write-off of liabilities	82	258
Rent income	75	64
Other	130	81
TOTAL OTHER INCOME	**287**	**403**

Other expenses	2019	2018
Compulsory Insurance Center membership fees	291	335
Customs and other taxes	38	30
Other	4	125
TOTAL OTHER EXPENSES	**333**	**490**

9. GENERAL AND OTHER ADMINISTRATIVE EXPENSES

The group general and administrative expenses for 2019 and 2018 consist of following:

	2019	2018
Occupancy and rent	18	419
Marketing and advertising	-	327
Legal and consultancy	105	181
Supervision fee	144	114
Selling expenses	-	98
Cost of various services	166	82
Communications	58	81
Repair and maintenance of property and equipment	19	56
Transportation	17	48
Utilities	31	46
Representative expenses	48	42
Other	105	176
	711	**1670**

Audit fee for FY 2019 totalized GEL 42 (2018: GEL 34).

In thousands of GEL

10. IMPAIRMENT CHARGE

The group impairment charge for 2019 and 2018 consist of following:

	2019	2018
Insurance and reinsurance receivables (Note 15)	407	530
Other assets (Note 20)	474	257
	881	**787**

11. ACQUISITION COSTS, NET OF REINSURANCE

The group acquisition cost, net of insurance   for 2019 and 2018 consist of following:

	2019	2018
Acquisition costs	2,629	1,233
Acquisition income	(602)	(577)
	2,027	**656**

12. NET FOREIGN EXCHANGE GAIN

The group net foreign exchange gain for 2019 and 2018 consist of following:

	2019	2018
Unrealized FX gain / (loss)	481	199
Realized FX gain / (loss)	(4)	-
	477	**199**

13. CASH AND CASH EQUIVALENTS, AMOUNTS DUE FROM CREDIT INSTITUTIONS

The Group's cash and cash equivalents and Amount due from credit institution as at 31 December, 2019 and 31 December, 2018 consist of following:

	31 December,2019	31 December,2018
Cash on hand	5	7
Current accounts with banks	1,136	390
	1,141	**397**

Cash and cash equivalents of the Company on a standalone basis was GEL 1,141 (2018: GEL 393). The regulator requirement is to maintain minimum level of cash and cash equivalents at 10% of the insurance contract liabilities subject to reservation as defined by regulatory reserve requirement resolution, which as of reporting date amounted to GEL 277 (2018: GEL 95).

	31 December,2019	31 December,2018
JSC Halyk Bank Georgia	3,951	3,686
JSC Terabank	1,039	973
JSC Finca Bank Georgia	-	415
JSC VTB Bank Georgia	445	0
AMOUNTS DUE FROM CREDIT INSTITUTIONS	**5,435**	**5,074**

In thousands of GEL

Amounts due from credit institutions are represented by short-term (less than 12 months) placements with Georgian banks and earn annual interest of 3.75% to 4.5% (2018 – 4% to 4.5%).

Amounts due from credit institutions include GEL 1,134 (2018: GEL 711) of restricted deposits to secure insurance contract liabilities in accordance with regulatory requirement of Insurance State Supervision Service of Georgia.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

14. INSURANCE AND REINSURANCE RECEIVABLES

The Group's insurance and reinsurance receivable as at 31 December, 2019 and 31 December, 2018 consist of following:

	31 December,2019	31 December,2018
Due from policyholders	5,805	7,991
Due from reinsurers	2,218	2,192
Less - allowance for impairment	(1,347)	(5,002)
Total insurance and reinsurance receivables	**6,676**	**5,181**

The carrying amounts disclosed above reasonably approximate their fair values at year end.

Analysis of credit risk is provided in Note 26.

Changes in provision for impairment of insurance premium receivable:

	31 December,2019	31 December,2018
At 1 January	5,002	4,472
Charge for the year	407	530
(reversal) for the year	(4,062)	-
At 31 December	**1,347**	**5,002**

15. FINANCIAL INSTRUMENTS HELD-TO-MATURITY

Held-to-maturity financial instruments are the corporate debt securities issued by Eurohold Bulgaria AD on 7 December 2017. Annual interest is 6.45% and maturity – 5 years. The carrying amount of the instruments reasonably approximate their fair values at year end.In 2019 the corporate debt securities were sold and the amount - 200 EUR (643 GEL) was credited to Unicredit Bullbank account. The proceeds of the corporate debt securities sale and the interest accrued during the year - 228 EUR (730 GEL) were transferred to JSC Khalik Bank Georgia Euro account.

16. INCOME TAX

The Group's income tax as at 31 December, 2019 and 31 December, 2018 consist of following:

	2019	2018
Deferred tax benefit due to loss carried forward	149	164
Deferred tax benefit / (expense)	23	(36)
Income tax benefit	**172**	**128**

In thousands of GEL

Reconciliation of income tax benefit:	2019	2018
Loss before income tax expense	789	1,611
Permanent difference due to disposal of subsidiaries	-	-
Adjustment recognized for prior periods	-	(187)
Other temporary and permanent differences	204	(331)
Tax loss carried forward	**993**	**1,093**
15% of the loss carried forward	149	164

Deferred tax asset comprises temporary differences attributable to:

	2019	2018
Loss carried forward	713	564
Insurance receivables	739	750
Reinsurance assets	37	35
Property and equipment	(12)	(33)
Goodwill	75	88
Subrogation receivable (other assets)	510	442
Loans issued (other assets)	875	872
Other assets	31	18
Insurance contracts liabilities	(233)	(77)
Insurance contracts liabilities	93	-
Other liabilities	5	2
	2,833	**2,661**

17. PROPERTY AND EQUIPMENT

The Group's property and equipment as at 31 December, 2019 and 31 December, 2018 consist of following:

	Land and buildings	Office equipment	Leasehold improvement	Right of use asset	Total
Book value					
31 December 2017	**1,431**	**1,120**	**1,149**	**-**	**3,700**
Additions	-	108	-	-	108
Disposals	-	(110)	-	-	(110)
31 December 2018	**1,431**	**1,118**	**1,149**	**-**	**3,698**
Additions	-	352	-	2,529	2,881
Transfer to investment property	(1,431)	-	-	-	(1,431)
31 December 2019	**-**	**1,470**	**1,149**	**2,529**	**5,148**
Accumulated depreciation					
31 December 2017	**60**	**1,026**	**1,116**	**-**	**2,202**
Depreciation charge	-	40	16	-	56
Correction of prior period	(60)	-	-	-	(60)
Disposals	-	(110)	-	-	(110)
31 December 2018	**-**	**956**	**1,132**	**-**	**2,088**
Depreciation charge	-	73	9	323	405
31 December 2019	**-**	**1,029**	**1,141**	**323**	**2,494**

Net book value

In thousands of GEL

1 January 2018	**1,371**	**94**	**33**	**-**	**1,498**
31 December 2018	**1,431**	**162**	**17**	**-**	**1,610**
31 December 2019	**-**	**441**	**8**	**2,206**	**2,654**

During accounting year the land and building was recognized as an investment property regarding to the IAS 40.
The Group recognized the right of use asset (ROU) according to the IFRS 16 adopted as at January 1, 2019. Based on lease agreement company uses office space. Maturity date of current lease agreement is 31 August 2020, but management plans to use option right and continue the arrangement for an additional five year.

18. INVESTMENT PROPERTY

The Group's investment property at 31 December, 2019 and 31 December, 2018 consist of following:

	31 December 2019	**31 December 2018**
1 January	1,912	1,852
Fair value gain / (loss)	258	60
Additions	1,431	-
Sales	(1,912)	-
31 December	**1,689**	**1,912**

The investment property derecognized was land in Mtskheta Region, the fair value of which as at 31 December 2018 was determined based on the valuation report of independent valuator – Expert Group Ltd. The Group recognized the movement of building located on Shardeni street, Tbilisi from property, plant and equipment to investment property, during FY 2019 the building was leased, this investment property is recognized at fair value. The valuation was performed in accordance with International Valuation Standards (IVS) using market approach.

19. OTHER ASSETS

The Group's other assets at 31 December, 2019 and 31 December, 2018 consist of following:

	31 December, 2019	**31 December, 2018**
Subrogation receivable, net of allowance for impairment	420	165
Advances and prepayments	169	153
Inventory	222	127
Miscellaneous receivables, net of allowance for impairment	319	61
Intangible assets, net of amortization	16	22
Loans issued, net of allowance for impairment	2,267	6
Other	153	134
	3,566	**668**

	31 December , 2019	**31 December, 2018**
Loans issued	8,097	5,816
Allowance for impairment of loans issued	(5,830)	(5,810)
	2,267	**6**

In thousands of GEL

	31 December , 2019	31 December , 2018
Subrogation receivable	3,820	3,111
Allowance for impairment of subrogation receivable	(3,400)	(2,946)
	420	**165**

	31 December, 2019	31 December, 2018
Miscellaneous receivables	1,170	1,049
Allowance for impairment of miscellaneous receivables	(851)	(938)
	319	**111**

Changes in provision for impairment of other assets:

	31 December , 2019	31 December , 2018
1 January	9,694	9,755
Charge	474	174
Write-off	(87)	(235)
31 December	**10,081**	**9,694**

20. SHARE CAPITAL

The Group's share capital at 31 December, 2019 and 31 December, 2018 consist of following:

3,238,000 ordinary shares, with a nominal value of GEL 1 each, were fully paid as at 31 December 2019 (2018: 3,125,000). Shareholders are presented in Note 1.

For the requirements of regulatory legislation regarding equity capital refer to Note 26, Capital Management.

21. OTHER INSURANCE LIABILITIES

The Group's other insurance liabilities at 31 December, 2019 and 31 December, 2018 consist of following:

	31 December , 2019	31 December , 2018
Reinsurance payables	2,059	1,544
Claims payable	1,730	1,310
	3,789	**2,854**

22. BORROWINGS

The Group's borrowing at 31 December, 2019 and 31 December, 2018 consist of following:

	31 December , 2019	31 December , 2018
Short-term loan from Tengiz Mezurnishvili	-	6
Other loans	235	10
	235	**16**

In thousands of GEL

23. FINANCE LEASE LIABILITY

The Group's finance lease liability 31 December, 2019 and 31 December, 2018 consist of following:

	31 December, 2019	31 December, 2018
Short term lease liability	817	-
Long term lease liability	2,031	-
Total lease liabilities	**2,848**	**-**

	2019	2018
Initial recognition	**2,529**	**-**
Interest income/expense	176	-
FX effect	143	-
balance for the period end	**2,848**	**-**

24. TRADE AND OTHER PAYABLES

The Group's trade and other payable at 31 December, 2019 and 31 December, 2018 consist of following:

	31 December , 2019	31 December , 2018
Trade payables	265	517
Commission payable	263	391
Accruals for employee compensation	31	5
Advances received	34	0
Other payables	174	55
	767	**968**

The carrying amount of liabilities is considered to be in line with their fair value at the reporting date.

25. TAX PAYABLE

Taxes payable of the Group comprise of only tax payables, the Group has no tax asset to net-off with tax payables. Taxes payables mainly consists of CIT and PIT.

26. COMMITMENTS AND CONTINGENCIES

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Provisions for the probable result of current legal claims are being recognized in the financial statements. Management believes that the ultimate liability, if any, arising from litigations will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation

Georgian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant tax authorities.

26. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The act of tax audit of the Company for the periods up to 2015 was issued by the tax authorities in November 2017. According to the act, additional corporate income tax payable in amount of GEL 353 (GEL 516 including corresponding fines) has been charged. The Group filed a claim against the act in March 2018 and management believes the Group will win the case, therefore the additional payable is not recognized in the financial statements.

27. RISK MANAGEMENT

The activities of the Group are exposed to various risks. Risk management therefore is a critical component of its insurance activities. Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls. Everyone within the Group is accountable for the risk exposures relating to his or her responsibilities. The main financial risks inherent in the Group's operations are those related to credit, liquidity and market

movements in interest and foreign exchange rates and equity prices. A summary description of the Group's risk management policies in relation to those risks follows.

Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group from events that hinder the sustainable achievement of the Group's performance objectives, including failing to exploit opportunities. The Group recognizes the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with terms of reference for the executive management board. Management board delegates to respective members of senior management responsibilities for overseeing compliance with established risk management policies.

The management board approves the Group risk management policies and meets regularly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

Capital management objectives, policies and approach

The Group 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 Group 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 shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to funds available from financial institutions.
- To maintain financial strength, to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

The operations of the Group 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

27. RISK MANAGEMENT (CONTINUED)

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

Approach to capital management

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

The Group’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 Group.

The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Capital Management

The insurance sector in Georgia is regulated by the Insurance State Supervision Service of Georgia (“ISSSG”). The ISSSG imposes minimum capital requirements for insurance companies. These requirements are put in place to ensure sufficient solvency margins.

According to the ISSSG directive №27, issued on 25 December 2017, the minimum capital throughout the period should be not less than GEL 2,200 thousand and the Company should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances. The minimum capital requirement is

GEL 4,200 thousand for the period from 31 December 2018 to 31 December 2020 and GEL 7,200 thousand thereafter.

27.1. Insurance risk

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

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

The Group primarily uses loss ratio and expense ratio to monitor its insurance risk. Loss ratio is defined as net insurance claims divided by net insurance revenue. Expense ratio is defined as operating expenses

excluding interest expense divided by net insurance revenue. The Group’s loss ratios and expense ratios calculated on a net basis were as follows:

27.1. Insurance risk (continued)

	2019	**2018**
Loss ratio	67%	57%
Expense ratio	52%	70%

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

Insurance risk management

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent

investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group. The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, for example hurricanes, earthquakes and flood damages.

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

Sources of uncertainty in the estimation of future claim payments

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

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

At the end of each reporting period the Group assess whether its recognized insurance liabilities are adequate: the Group determines whether the amount of recognized insurance liabilities is less than the

In thousands of GEL

Sources of uncertainty in the estimation of future claim payments (continued)

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.

27.2. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group manages the level of credit risk it accepts through a comprehensive group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group; setting up of exposure limits by each counterparty or group of counterparties, geographical and industry segments; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

The following is a brief description of how the Group manages its credit risk exposure:

Reinsurance

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any reinsurance contract. There is no single counterparty exposure that exceeds 43% of total reinsurance assets at the reporting date. The Group evaluates the financial condition of its reinsurers regularly.

Insurance and reinsurance receivables

The Company sets the maximum amounts and limits that may be advanced to / placed with individual corporate counterparties which are set by reference to their long-term ratings.

The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document on the expiry of which the policy is either paid up or terminated.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group through internal credit assessment procedures. The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position, based on the Group's credit assessment system.

	Neither past due nor impaired 2019	Past-due but not impaired 2019	Total 2019
Amounts due from credit institutions	5,435	-	**5,435**
Insurance and reinsurance receivables:			
Insurance receivables	3,878	580	**4,458**
Reinsurance receivables	2,218		**2,218**
Total	**11,531**	**580**	**12,111**

In thousands of GEL

Credit quality per class of financial assets (continued)

	Neither past due nor impaired 2018	Past-due but not impaired 2018	Total 2018
Amounts due from credit institutions	5,074	-	**5,074**
Insurance and reinsurance receivables:			
Insurance receivables	2,537	452	**2,989**
Reinsurance receivables	2,192	-	**2,192**
Total	**9,803**	**452**	**10,255**

Credit quality per class of financial assets

Insurance and reinsurance receivables that are neither past due nor impaired include insurance and reinsurance receivables that are not past due more than 30 days as of the reporting date. Insurance and reinsurance receivables that are past due but not impaired include insurance and reinsurance receivables overdue for more than 30 days.

27.3. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group is the daily calls on its available cash resources in respect of claims arising from insurance contracts and the maturity of debt securities.

The Group manages liquidity through the liquidity risk policy which determines what constitutes liquidity risk for the Group; specifies minimum proportion of funds to meet emergency calls; setting up of contingency funding plans; specify the sources of funding and the events that would trigger the plan; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The table below analyses financial and insurance assets and liabilities of the Group into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

31 December, 2019	**Within one year**	**More than one year**	**Total**
Assets:			
Cash and cash equivalents	1,141	-	1,141
Amounts due from credit institutions	5,435	-	5,435
Insurance and reinsurance receivables	6,675	1	6,676
Loans issued and receivables	2,267	-	2,267
Reinsurance assets	1,738	818	2,556
Other assets	3,159	-	3,159
Total assets	**20,415**	**819**	**21,234**

In thousands of GEL

Liabilities:	Within one year	More than one year	Total
Insurance contract liabilities	7,523	818	8,341
Other insurance liabilities	3,789	-	3,789
Borrowings	234	-	234
Trade and other payables	767	-	767
Taxes payable	1,317	-	1,317
Total liabilities	**13,630**	**818**	**14,448**
Net position	**6,785**	**1**	**6,786**
Accumulated gap	**6,785**	**6,786**	

31 December 2018	Within one year	More than one year	Total
Assets:			
Cash and cash equivalents	397	-	397
Amounts due from credit institutions	5,074	-	5,074
Insurance and reinsurance receivables	5,176	5	5,181
Reinsurance assets	5,479	2,113	7,592
Other assets	365	-	365
Total assets	**16,491**	**2,118**	**18,609**
Liabilities:			
Insurance contract liabilities	9,295	2,130	11,425
Other insurance liabilities	2,854	-	2,854
Borrowings	16	-	16
Trade and other payables	968	-	968
Taxes payable	1,005	-	1,005
Total liabilities	**14,138**	**2,130**	**16,268**
Net position	**2,353**	**(12)**	**2,341**
Accumulated gap	**2,353**	**2,341**	

The amounts and maturities in respect of insurance liabilities are based on management's best estimate based on statistical techniques and past experience.

27.4. Geographical concentration

All the assets and liabilities, other than those disclosed below, were concentrated in Georgia. The disclosure is based on the countries where the insurance business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated

In thousands of GEL

	Georgia	OECD countries	Non-OECD countries	Total
As at 31 December 2019				
Assets:				
Loans issued and receivables	2,267	-	-	**2,267**
Reinsurance assets	39	1,454	1,063	**2,556**
Deferred income tax assets	2,835	-	-	**2,835**
Other assets	1,283	-	-	**1,283**
Insurance and reinsurance receivables	4,458	57	2,161	**6,676**
Amounts due from credit institutions	5,435	-	-	**5,435**
Cash and cash equivalents	1,141	-	-	**1,141**
Total assets	**17,458**	**1,511**	**3,224**	**22,193**

As at 31 December 2019	Georgia	OECD countries	Non-OECD countries	Total
Liabilities:				
Insurance contracts liabilities	8,341	-	-	**8,341**
Other insurance liabilities	1,728	551	1,510	**3,789**
Financial liabilities	234	-	-	**234**
Other liabilities	2,084	-	-	**2,084**
Total liabilities	**12,387**	**551**	**1,510**	**14,448**
Net position	**5,071**	**960**	**1,714**	**7,745**

	Georgia	OECD countries	Non-OECD countries	Total
As at 31 December 2018				
Assets:				
Reinsurance assets	-	5,365	2,227	**7,592**
Insurance and reinsurance receivables	2,989	-	2,192	**5,181**
Total Assets	**2,989**	**5,365**	**4,419**	**12,773**

As at 31 December 2018	Georgia	OECD countries	Non-OECD countries	Total
Liabilities:				
Other insurance liabilities	1,310	260	1,284	**2,854**
Total liabilities	**1,310**	**260**	**1,284**	**2,854**
Net position	**1,679**	**5,105**	**3,135**	**9,919**

27.5. Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchanges.

The Group has exposure to market risks. Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

In thousands of GEL

Interest rate risk

All financial instruments bear fixed interest rate thus no significant interest risk exposure currently exists.

Currency risk

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's principal transactions are carried out in Georgian lari and its exposure to foreign exchange risk arise primarily with respect to US dollars and euro, as the insurance operations denominated in US dollars form a significant part of the Group's operations.

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2018 and 2017 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian lari, with all other variables held constant on the consolidated income statement. A negative amount in the table reflects a potential net reduction in consolidated income statement, while a positive amount reflects a net potential increase:

	2019			
	GEL	**USD**	**EUR**	**Total**
Financial assets:				
Cash and cash equivalents	698	192	251	1,141
Amounts due from credit institutions	-	5,435	-	5,435
Insurance and reinsurance receivables	5,435	1,162	79	6,676
Reinsurance assets	1,264	1,112	180	2,556
Other assets	3,153	6	-	3,159
Total financial assets	**10,550**	**7,907**	**510**	**18,967**
Financial liabilities:				
Insurance contracts liabilities	5,226	2,991	124	8,341
Other insurance liabilities	1,967	1,406	416	3,789
Financial liabilities	83	144	7	234
Finance lease liability	-	2,848	-	2,848
Trade and other payables	240	527	-	767
Taxes payable	1,317	-	-	1,317
Total financial liabilities	**8,833**	**7,916**	**547**	**17,296**
Net position	**1,717**	**(9)**	**(37)**	**1,671**
Increase in currency rate in %		**7%**	**5%**	
Effect on profit		**(1)**	**(2)**	

	2018			
	GEL	**USD**	**EUR**	**Total**
Financial assets:				
Cash and cash equivalents	345	6	46	397
Amounts due from credit institutions	-	5,074	-	5,074
Insurance and reinsurance receivables	4,725	425	31	5,181
Reinsurance assets	5,044	2,548	-	7,592
Other assets	359	6	-	365
Total financial assets	**10,473**	**8,059**	**77**	**18,609**

In thousands of GEL

Financial liabilities:				
Insurance contracts liabilities	7,868	3,457	100	11,425
Other insurance liabilities	1,476	1,373	5	2,854
Financial liabilities	9	-	7	16
Trade and other payables	723	245	-	968
Taxes payable	1,005	-	-	1,005
Total financial liabilities	**11,081**	**5,075**	**112**	**16,268**
Net position	**(608)**	**2,984**	**(35)**	**2,341**
Increase in currency rate in %		**3%**	**-1%**	
Effect on profit		**90**	**-**	

28. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

No material transactions were recorded with related parties during 2019, during 2018 borrowings (Note 22) and corresponding interest expense (Note 7) were material transactions with related parties.

Compensation of key management personnel (2018: 3 persons; 2017: 1 person) comprised the following:

	2019	2018
Salaries and bonuses	355	257

Remuneration of Supervisory board (2018: 3 members, 2017: 0 member) comprised the following:

	2019	2018
Salaries and other benefits	194	75

The Supervisory board (formed in 2018) is a non-executive management body that reports exclusively to the shareholders of the Company.

29. EVENTS AFTER REPORTING DATE

These consolidated financial statements were authorized for issue by the management on 10 March 2019. There have been no subsequent events that need to be disclosed in the financial statements.

In thousands of GEL

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
Gross earned premiums	14,459	11,466
Premiums ceded to reinsurers	(2,701)	(3,283)
Net insurance revenue	**11,758**	**8,183**
Interest income	458	200
Change in fair value of investment properties	258	-
Gain from sale of subsidiaries	1,372	-
Net foreign exchange gain	477	191
Other income	282	403
Total other income	**2,847**	**794**
Gross insurance benefits and claims paid	(10,443)	(6,689)
Claims ceded to reinsurers	3,291	2,047
Changes in other insurance reserves	3,684	1,335
Changes in other insurance reserves ceded to reinsurers	(4,379)	(1,343)
Net insurance claims	**(7,847)**	**(4,650)**
Salaries and other employee benefits	(2,197)	(2,333)
General and other administrative expenses	(711)	(1,670)
Impairment charge	(881)	(787)
Acquisition costs, net of reinsurance	(2,027)	(656)
Depreciation and amortization expenses	(411)	(6)
Interest expense	(180)	(64)
Other expenses	(332)	(490)
Total other expenses	**(6,739)**	**(6,006)**
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**19**	**(1,679)**
Income tax benefit	172	128
NET PROFIT / (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**191**	**(1,551)**
Other comprehensive income	-	-
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE YEAR	**191**	**(1,551)**

Approved for issue and signed on behalf of the Management on 10 March 2020 by:

Iakob Edilashvili
General Director

Levan Kakulia
Chief Financial Officer

In thousands of GEL

SEPARATE STATEMENT OF FINANCIAL POSITION

ASSETS	31 December ,2019	31 December ,2018
Cash and cash equivalents	1,141	393
Amounts due from credit institutions	5,435	5,074
Insurance and reinsurance receivables	6,676	5,181
Reinsurance assets	2,556	7,592
Financial instruments held-to-maturity	-	614
Deferred income tax asset	2,835	2,661
Property and equipment	2,654	1,611
Investment property	1,689	-
Investment in subsidiary	-	1,169
Other assets	3,566	605
Total assets	**26,552**	**24,900**
EQUITY		
Share capital	3,238	3,125
Share premium	4,390	4,073
Retained earnings	1,628	1,598
Total equity	**9,256**	**8,634**
LIABILITIES		
Insurance contracts liabilities	8,341	11,425
Deferred commission income	-	-
Other insurance liabilities	3,789	2,854
Borrowings	234	16
Financial lease liabilities	2,848	-
Trade and other payables	767	966
Taxes payable	1,317	1,005
Total liabilities	**17,296**	**16,266**
Total equity and liabilities	**26,552**	**24,900**

Approved for issue and signed on behalf of the Management on 10 March 2020 by:

Iakob Edilashvili
General Director

Levan Kakulia
Chief Financial Officer

In thousands of GEL

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation surplus	Retained earnings	Total
At 1 January, 2018	**2,430**	**-**	**1,062**	**1,925**	**5,417**
Issue of ordinary shares	695	4,073	-	-	4,768
Loss for the year	-	-	-	-1,551	-1,551
At 31 December 2018	**3,125**	**4,073**	**1,062**	**374**	**8,634**
Issue of ordinary shares	113	317	-	-	431
Loss for the year	-	-	-	192	192
At 31 December 2019	**3,238**	**4,390**	**1,062**	**566**	**9,257**

Approved for issue and signed on behalf of the Management on 10 March 2020 by:

Iakob Edilashvili
General Director

Levan Kakulia
Chief Financial Officer

In thousands of GEL

SEPARATE STATEMENT OF CASH FLOWS

	2019	2018
Cash flows from operating activities		
Premium received	13,932	10,667
Cash paid to reinsurer	2,235	(1,366)
Claims paid	(10,767)	(5,955)
Acquisition costs	(1,201)	(950)
Subrogation received	241	162
Cash payments to employees	(2,585)	(1,800)
Net interest income	290	36
Administrative and other payments	(1,792)	(1,624)
Net cash flows from / (used in) operating activates before tax	**353**	**(830)**
Penalties paid	(3)	(7)
Taxes paid	(741)	(662)
Net cash flows used in operating activities	**(391)**	**(1,499)**
Cash flows from investing activities		
Time deposits	(1)	(3,560)
Purchase of property and equipment	(302)	(46)
Loans issued, net	(2,466)	-
Proceeds from sale of investments in subsidiaries	2,541	55
Investments in financial instruments, net	683	(607)
Net cash flows from / (used in) investing activities	**455**	**(4,158)**
Cash flows from financing activities		
Overdrafts received, net	80	-
Loans received, net	142	363
Proceeds from sale of shares	430	3,864
Net cash flows from financing activities	**652**	**4,227**
Net increase / (decrease) in cash and cash equivalents	**716**	**(1,430)**
Cash and cash equivalents at the beginning of the year	**393**	**1,887**
Net effect of exchange rates changes on cash and cash equivalents	32	(64)
Cash and cash equivalents at the end of the year	**1,141**	**393**

Approved for issue and signed on behalf of the Management on 10 March 2020 by:

Iakob Edilashvili
General Director

Levan Kakulia
Chief Financial Officer