

JSC Insurance Company Imedi L

Consolidated Financial Statements

*for the year ended 31 December 2017
together with independent auditor's report*

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Independent auditor's report

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INDEPENDENT AUDITORS' REPORT*TO THE SHAREHOLDERS AND SUPERVISORY BOARD OF JSC INSURANCE COMPANY IMEDI L****Report on the Audit of Consolidated Financial Statements****Opinion*

We have audited the accompanying consolidated financial statements of JSC Insurance Company Imedi L (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other 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"). These consolidated financial statements have been prepared according to International Financial Reporting Standards ("IFRS").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (IASs). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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.

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 statement, management is responsible for assessing the Company's ability to continue as 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 Company or to cease operations, or has no realistic alternative but to do so.

Supervisory Board is responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, 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 decision of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism through the audit. We also:

- Identify and assess risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain

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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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain and 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness 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 Company's ability to continue as 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 Company to cease to continue as going concern.
- Evaluate overall presentation, structure and content if the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transaction events in a manner that achieves fair presentation.

We communicate with supervisory board regarding, among and 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 on the audit resulting in this independent auditor's report is Shota Talavadze.

On behalf of Nexia TA LLC

Tbilisi, Georgia

April 13, 2018



CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 31 December 2017***(Thousands of Georgian Lari)*

	<i>Notes</i>	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents	4	1,513	4,362
Amounts due from credit institutions	5	8,550	10,013
Investment securities: available-for-sale		600	–
Insurance receivables	6	21,964	24,987
Current income tax assets		687	757
Deferred income tax assets	7	–	310
Deferred acquisition costs	8	1,293	1,341
Property and equipment	9	5,837	5,562
Goodwill and other intangible assets	10	5,720	5,902
Other assets	11	5,469	8,035
Total assets		51,633	61,269
Equity			
Share capital	12	4,170	4,170
Additional paid-in capital		9,759	9,759
Reserve for revaluation of property and equipment		83	83
Retained earnings/(accumulated deficit)		(3,420)	(791)
Total equity		10,592	13,221
Liabilities			
Insurance contract liabilities	13	26,167	30,564
Claims payable		3,369	2,744
Borrowings	14	9,586	11,823
Other liabilities	15	1,919	2,917
Total liabilities		41,041	48,048
Total equity and liabilities		51,633	61,269

Signed and authorized for release on behalf of the Management Board of JSC Insurance Company Imedi L:

Givi Giorgadze

General Director

Nodar Gelovani

Deputy General Director (Finance, IT, Underwriting and optimization)

13 April 2018

Accompanying notes on page 5-36 are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2017***(Thousands of Georgian Lari)*

	Notes	2017	2016
Gross earned premiums on insurance contracts	17	53,710	61,440
Interest Income	18	463	1,114
Other operating income		116	87
Total revenue		54,289	62,641
Net insurance benefits and claims paid		(45,810)	(48,787)
Net change in insurance contracts liabilities		1,277	(4,002)
Claim settlement expenses		(676)	(528)
Net insurance claims		(45,209)	(53,317)
Acquisition costs	19	(3,480)	(4,385)
Salaries and other employee benefits	20	(3,583)	(4,459)
General and administrative expenses	21	(1,666)	(2,620)
Depreciation and amortization expenses		(895)	(843)
Impairment charge		(479)	(451)
Interest Expense	18	(1,258)	(882)
Foreign exchange and translation gain		34	(110)
Other operating expenses		(72)	(255)
Other expenses		(11,399)	(14,005)
Total claims and expenses		(56,608)	(67,322)
Profit/ (Loss) before tax		(2,319)	(4,681)
Income tax (charge)/ benefit		(310)	(458)
Net Profit/ (Loss) and total comprehensive income/ loss for the period		(2,629)	(5,139)

Accompanying notes on page 5-36 are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2017***(Thousands of Georgian Lari)*

	<i>Share Capital</i>	<i>Additional paid-in capital</i>	<i>Reserve for revaluation of property and equipment</i>	<i>Retained Earnings</i>	<i>Total</i>
31 December, 2015	4,170	9,759	83	4,348	18,360
Comprehensive loss for the period	-	-	-	(5,139)	(5,139)
31 December, 2016	4,170	9,759	83	(791)	13,221
Comprehensive loss for the period	-	-	-	(2,629)	(2,629)
31 December, 2017	4,170	9,759	83	(3,420)	10,592

Accompanying notes on page 5-36 are integral part of these consolidated financial statements.

(Thousands of Georgian Lari unless otherwise stated)

	2017	2016
Cash flows from operating activities		
Insurance premium received	50,011	59,964
Insurance benefits and claims paid	(40,035)	(42,834)
Acquisition costs paid	(3,121)	(3,723)
Salaries and benefits paid	(5,846)	(7,782)
Cash paid to other suppliers of goods and services	(1,480)	(2,724)
Interest received	332	738
Other operating (expenses paid) / income received	553	22
Net cash flows from operating activities before income tax	414	3,661
Income tax paid	-	(398)
Net cash flows from operating activities	414	3,263
Cash flows used in investing activities		
Acquisition of investment securities held-to-maturity	(600)	-
Purchase of premises and equipment	(400)	(751)
Purchase of intangible assets	(408)	(598)
Loan Issued	8	
Placement of amount due from credit institution	(5,673)	(9,136)
Withdrawal of amount due from credit institution	-	12,154
Proceeds from sale of premises and equipment	7,167	20
Net cash flows from used in investing activities	94	1,689
Cash flows from financing activities		
Proceeds from borrowings	2,605	2,165
Repayment of borrowings	(5,038)	(7,822)
Interest paid	(672)	(971)
Net cash flows from financing activities	(3,105)	(6,628)
Effect of exchange rates changes on cash and cash equivalents	(252)	(31)
Net increase in cash and cash equivalents	(2,849)	(1,707)
Cash and cash equivalents, 31 December 2016	4,362	6,069
Cash and cash equivalents, 31 December 2017	1,513	4,362

Accompanying notes on page 5-36 are integral part of these consolidated financial statements.

*(Thousands of Georgian Lari unless otherwise stated)***1. Principal activities**

JSC Insurance Company Aldagi ("Aldagi") was established on 11 August 1998 under the laws of Georgia.

In 2014 Aldagi began a corporate reorganisation process in order to separate its health insurance business from property and casualty insurance business. Reorganization was finalized on 31 July 2014 under the laws of Georgia and resulted in creation of two separate entities: JSC Insurance Company Imedi L ("Imedi L" or "the Company") and JSC Insurance Company Aldagi, with Imedi L retaining the old tax identification number of previously existed Aldagi – 204919008, and Imedi L is considered to be the legal successor of the old entity.

Imedi L's health insurance business offers a wide range of personal risks insurance products, including critical illness, personal accident and term life insurance products bundled with health insurance and travel insurance policies to corporate and retail clients.

Imedi L possesses two types of insurance licenses issued by the Insurance State Supervision Service of Georgia for life and non-life insurance products.

The main office of the Company is located in Tbilisi and it has additional service centers in Tbilisi, Batumi, Poti, Kutaisi, Zugdidi, Telavi, Akhaltsikhe, Rustavi and Gori. The Company's legal address is 9, Ana Politkovskaia street, 0154 Tbilisi, Georgia.

As at 31 December 2017 and 2016 the Company has the following shareholders:

Shareholder	31 December 2017	31 December 2016
JSC Georgia Healthcare Group	100%	100%
Total	100%	100%

As at 31 December 2017 and 31 December 2016 the Company's ultimate parent is BGEO Group plc, previously known as the Bank of Georgia Holdings PLC. BGEO Group plc is incorporated in the United Kingdom and listed on the London Stock Exchange.

The Company is not parent company for any other entities as at December 31, 2017.

2. Basis of preparation**Statement of compliance**

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

These consolidated financial statements have been prepared under the historical cost convention (except for office buildings and investment property that has been measured at fair value) as disclosed in Note 3.

These consolidated financial statements have been presented in thousands of Georgian Lari (GEL), except otherwise stated. The Company presents its consolidated statement of financial position broadly in order of liquidity.

Consolidated Financial statements of the Company for the previous year are also prepared according to the IFRS.

(Thousands of Georgian Lari unless otherwise stated)

2. Basis of preparation (continued)

Going concern

Consolidated Financial statements of the Company are prepared on a going concern basis. The Company occurred net loss for the year ended December 31, 2017 of GEL 2,629 (2016: net loss of GEL 5,139), notwithstanding this fact management assesses that the Company has the ability to meet all of its liabilities as they become due for the following reasons:

- The Company improved its operations that lead to the fact that net loss for the year ended 31 December, 2017 decreased approximately two times compared to net loss for the year ended 31 December, 2016;
- The Company has positive net cash flow from operating activities for the year ended December 31, 2017;

3. Summary of significant accounting policies

Basis of consolidation

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- ▶ Exposure, or rights, to variable returns from its involvement with the investee; and
- ▶ The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee.
- ▶ Rights arising from other contractual arrangements.
- ▶ The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-company assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- ▶ Derecognises the carrying amount of any non-controlling interests.
- ▶ Derecognises the cumulative translation differences recorded in equity.
- ▶ Recognises the fair value of the consideration received.
- ▶ Recognises the fair value of any investment retained.
- ▶ Recognises any surplus or deficit in profit or loss.
- ▶ Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair values. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

The legal merger of a parent and a subsidiary does not represent a business combination, so neither the acquisition method nor pooling of interest method apply.

The Company derecognized investment in its subsidiaries during financial year 2016 and the Company has no subsidiary company as at the year end 31 December, 2017.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination,

(Thousands of Georgian Lari unless otherwise stated)

irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance receivables

Insurance receivables are recognized based upon insurance policy terms and measured at cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with any impairment loss recorded in the profit or loss.

Insurance contract liabilities

The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date the carrying amount of unearned premium is calculated on active policies based on the insurance period and time until the expiration date of each insurance policy. The Company reviews its unexpired risk based on the historical performance of separate business lines to determine the overall change in expected claims. The differences between the unearned premium reserves, loss provisions and the expected claims are recognised in the profit or loss by setting up a provision for premium deficiency.

Deferred acquisition costs

Deferred acquisition costs ("DAC") are capitalized costs related to the issuance of insurance policies. They consist of commissions paid to agents, brokers and some employees. They are amortized on a straight line basis over the life of the contract.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and amounts due from credit institutions that mature within three months from the date of origination and are free from contractual encumbrances.

Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets upon initial recognition. The classification depends on the purpose for which the investments were acquired or originated.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost using the effective interest method. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

through the amortization process.

Loans issued and other receivables are recognized at their original invoiced value. Where the time value of money is material, receivables are carried at amortized cost.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expense will not be offset in profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Fair value measurement

The Company measures financial instruments, such as derivatives and certain non-financial assets such as investment property, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 24.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Property and equipment

Property and equipment except for office buildings are carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognized in the profit or loss as an expense.

Following initial recognition at cost, office buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity in other reserves. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in other reserves in the equity.

*(Thousands of Georgian Lari unless otherwise stated)***3. Summary of significant accounting policies (continued)****Property and equipment (continued)**

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Office buildings	100
Furniture and fixtures	10
Computers	5
Motor vehicles	5

The asset's residual value, useful life and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized. Leasehold improvements are amortized over the life of the related leased asset or expected lease term, if lower.

Investment securities available for sale

Investment securities available for sale are intended to be held for indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market condition.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in OCI in the AFS reserve (equity). Where the insurer holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding AFS investments is reported as interest income using the EIR. Dividends earned whilst holding AFS investments are recognised in the statement of profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from AFS reserve to the statement of profit or loss.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognised in the profit or loss when the borrowings are derecognised as well as through the amortization process.

Allowances for impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognized in the profit or loss.

*(Thousands of Georgian Lari unless otherwise stated)***3. Summary of significant accounting policies (continued)***Assets carried at amortized cost*

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

When an asset is uncollectible, it is written off against the related allowance for impairment. Such assets are written off after all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the profit or loss.

Derecognition of financial assets and liabilities*Financial assets*

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

- ▶ The rights to receive cash flows from the asset have expired.
- ▶ The Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- ▶ The Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognizing of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Taxation

The current income tax expense is calculated in accordance with the regulations in force in Georgia.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (applicable to undistributed profits) that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Georgia also has various operating taxes that are assessed on the Company's activities. These taxes are included as a component of other operating expenses.

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives of 4 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Costs associated with maintaining computer software programs are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognized as intangible assets only when the Company can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognized as an expense as incurred.

Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Share-based transactions

Senior executives of the Company receive share-based compensation, whereby employees render services as consideration for the equity instruments of BGEO Group plc and Georgia Healthcare Group PLC. All share-based compensation plans announced are cash-settled transactions.

The cost of cash-settled transactions is measured initially at fair value at the grant date based on market quotations. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in salaries and other employee benefits.

Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

Equity (continued)

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Income and expense recognition

Net insurance revenue

Insurance premiums written are recognised on policy inception and earned on a pro rata basis over the term of the related policy coverage. Premiums written reflect business incepted during the period, and exclude any sales-based taxes or duties.

Provision for unearned premiums

The proportion of written premiums attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the profit or loss in the order that revenue is recognized over the period of risk or, for annuities, the amount of expected future benefit payments.

Net insurance claims

Insurance claims incurred include all claim losses occurring during the period, whether reported or not, including the related handling costs and other recoveries and any adjustments to claims outstanding from previous periods. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims, such as salaries of general practitioners. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

*(Thousands of Georgian Lari unless otherwise stated)***3. Summary of significant accounting policies (continued)****Foreign currency translation**

The consolidated financial statements are presented in Georgian Lari, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Georgian Lari at official exchange rates declared by the National Bank of Georgia ("NBG") and effective as of the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the profit or loss as foreign exchange and translation (loss)/gain.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBG exchange rate on the date of the transaction are included in foreign exchange and translation (loss)/gain. The official NBG exchange rates were as follows:

	31 December 2017	31 December 2016
1 USD/GEL	2.5922	2.6468
1 EUR/GEL	3.1044	2.7940
Average interest rate for the periods is following:		
	2017	2016
1 USD/GEL	2.5086	2.3667
1 EUR/GEL	2.8322	2.6172

Standards and interpretations issued but not yet effective

These 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 2017.

The financial statements comprise a statement of comprehensive income (profit or loss), a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes.

The 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 Company 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 Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

*(Thousands of Georgian Lari unless otherwise stated)***3. Summary of significant accounting policies (continued)****Standards and interpretations issued but not yet effective (continued)****2.2. Application of new and amended standards**

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

- *Amendments to IFRS 4 titled Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016) - The amendments, 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) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.*
 - o *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.*
 - o *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.*
 - o *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.*
 - o *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.*
 - o *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 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.*

Use of estimates, assumptions and judgments

The preparation of the consolidated financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as at the reporting date, the actual outcome may differ from these estimates.

(Thousands of Georgian Lari unless otherwise stated)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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:

Claims liability arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. General insurance claims provisions are not discounted for the time value of money. The carrying amount of the claims incurred but not yet reported as at 31 December 2017 was GEL 2,086 (31 December 2016: GEL 3,875). Refer to Note 13.

Allowance for impairment of insurance receivables

The Company regularly reviews its insurance premiums receivable to assess impairment. For accounting purposes, the Company uses an incurred loss model for the recognition of losses on the impaired insurance premiums receivable. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Model and approach to identification of the impaired amounts and their further provisioning is mostly based on the number of days in arrears.

If there is a sign of deterioration in an individually significant customer's creditworthiness, the respective receivable is individually assessed for impairment. Triggering events include significant financial difficulty of the customer and/or breach of contract such as default of payment.

For collective purposes the management judgment is that historical trends can serve as a basis for predicting incurred losses and that this approach can be used to estimate the amount of recoverable debts as at the reporting period end.

Actual results may differ from the estimates and the Company's estimates can be revised in the future, either negatively or positively, depending upon the outcome or expectations based on the facts surrounding each exposure. The amount of allowance for impairment of insurance premiums receivable as at 31 December 2017 was GEL 2,589 (31 December 2016: GEL 2,617). Refer to Notes 6.

Use of estimates, assumptions and judgments (continued)

Recoverability of goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The amount of goodwill as at 31 December 2017 was GEL 3,462 (31 December 2016: GEL 3,462). Refer to Note 11.

(Thousands of Georgian Lari unless otherwise stated)

4. Cash and cash equivalents

Cash and cash equivalents as of 31 December comprise:

	31 December 2017	31 December 2016
Cash on hand	25	41
Current accounts	1,488	4,321
Total cash and cash equivalents	1,513	4,362

ISSSG requirement is to maintain minimum level of cash and cash equivalents at 10% of the insurance contract liabilities subject to reservation as defined by Insurance State Supervision Service of Georgia regulatory reserve requirement resolution, which as at the reporting date amounted to GEL 564 (31 December 2016: GEL 699).

5. Amounts due from credit institutions

	31 December 2017	31 December 2016
Bank deposits in GEL	800	459
Bank deposits in USD	7,750	9,554
Total amounts due from credit institutions	8,550	10,013

Amounts due from credit institutions are represented by short-term (for 3 to 12 months) placements and earn annual interest of 3.46% to 12.75% in 2017 (31 December 2016: 1.11% to 14.1%).

As of 31 December 2017 amounts due from credit institutions include GEL 2,268 of restricted cash in accordance with the export facility agreement with ING Bank N.V (31 December 2016: GEL 2,363; 31 December 2015: GEL 2,142 of restricted cash in accordance with the export facility agreement with ING Bank N.V and GEL 6,178 of restricted cash in accordance with facility agreement with JSC Bank of Georgia).

6. Insurance receivables

Insurance receivables as of the end of the period comprise:

	31 December 2017	31 December 2016
Due from policyholders	24,553	27,604
Less – allowance for impairment	(2,589)	(2,617)
Total insurance receivables	21,964	24,987

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

(Thousands of Georgian Lari unless otherwise stated)

The movements in the allowance for insurance receivables were as follows:

	Insurance Receivables
31 December 2015	2,692
Charge	451
Write-off	(636)
Recovery	110
31 December 2016	2,617
Charge	479
Write-off	(507)
Recovery	-
31 December 2017	2,589

Allowances for impairment of assets are deducted from the carrying amounts of the related assets.

7. Taxation

The corporate income tax expenses comprise:

The effective income tax rate differs from the statutory income tax rates. As of 31 December a reconciliation of the income tax expense based on statutory rates with actual is as follows:

	31 December 2017	31 December 2016
Current tax charge/ (benefit)	-	-
Deferred tax benefit – origination and reversal of temporary differences	310	458
Income tax expense	310	458

	31 December 2017	31 December 2016
(Loss)/profit before tax	(2,319)	(4,681)
Statutory tax rate	15%	15%

Theoretical income tax expense/ (benefit) at the statutory rate	(348)	(702)
Non-deductible expenses	21	51
Unrecognized tax loss carry forward	262	615
Effect of change in tax legislation	375	494
Income tax expense	310	458

(Thousands of Georgian Lari unless otherwise stated)

7. Taxation (continued)

Deferred tax assets and liabilities as of 31 December and their movements for the respective periods comprise:

	<i>In the income statement</i>	<i>31 December 2016</i>	<i>In the income statement</i>	<i>31 December 2017</i>
Tax effect of deductible temporary differences:				
Insurance receivables	(563)	512	(183)	329
Tax loss carried forward	(83)	–	–	–
Insurance contracts liabilities	(8)	35	(10)	25
Borrowings	(24)	87	(87)	–
Loans Issued	(109)	–	–	–
Other assets	(40)	64	(64)	–
Deferred tax assets	(827)	698	(344)	354
Tax effect of taxable temporary differences:				
Property and equipment	(332)	29	(3)	26
Intangible assets	40	335	(21)	314
Other liabilities	(77)	24	(10)	14
Deferred tax liabilities	(369)	388	(34)	354
Net deferred tax assets/(liabilities)	(458)	310	(310)	–
Deferred income tax assets	(486)	310	(310)	–
Deferred income tax liabilities	(28)	–	–	–

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

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. As a result, starting from 1 January 2019, the Company's taxable profit will be the dividends paid out (if any) and the deferred tax will no longer exist. As for the temporary differences realisable until 1 January 2019, they are immaterial and the Company has not recognized deferred taxes as at the reporting date.

(Thousands of Georgian Lari unless otherwise stated)

8. Deferred acquisition costs

Deferred acquisition costs ("DAC") for 2017 and 2016 are as follows:

At 31 December 2015	1,050
Expenses deferred (note 20)	2,950
Amortization (note 20)	(2,659)
At 31 December 2016	1,341
Expenses deferred (note 20)	3,353
Amortization (note 20)	(3,401)
At 31 December 2017	1,293

9. Property and equipment

The movements in property and equipment were as follows:

	Land and buildings	Furniture and fixtures	Computers	Motor Vehicles	Leasehold improvements	Total
Gross Book Value						
31 December 2015	4,164	1,268	1,782	159	287	7,660
Additions	–	96	325	24	138	583
Disposals	–	(4)	(8)	(27)	(149)	(188)
31 December 2016	4,164	1,360	2,099	156	276	8,055
Additions	–	90	123	28	546	787
Disposals	–	(18)	(37)	(16)	(12)	(83)
31 December 2017	4,164	1,432	2,185	168	810	8,759
Accumulated Depreciation						
31 December 2015	203	589	1,183	83	15	2,073
Depreciation charge	46	132	242	19	7	446
Reversal on Disposals	–	–	(7)	(11)	(8)	(26)
31 December 2016	249	721	1,418	91	14	2,493
Depreciation charge	41	125	233	18	70	487
Reversal on Disposals	–	(15)	(36)	(6)	(1)	(58)
31 December 2017	290	831	1,615	103	83	2,922
Net Book Value						
31 December 2015	3,961	679	599	76	272	5,587
31 December 2016	3,915	639	681	65	262	5,562
31 December 2017	3,874	601	570	65	727	5,837

The Company has no buildings pledged as collateral for the year ends 2017 and 2016.

The Company engaged an independent appraiser to determine the fair value of its office buildings. Fair value is determined by reference to market-based evidence. The most recent revaluation report for the Company's buildings was dated 31 December 2015. Subsequently the Company performed the assessment of its

(Thousands of Georgian Lari unless otherwise stated)

buildings at their own.

If the land and office buildings were measured using the cost model, the carrying amounts of the buildings as at 31 December 2017, 31 December 2016 and 1 January 2016 would be as follows:

	31 December 2017	31 December 2016
Cost	4,081	4,081
Accumulated depreciation and impairment	(208)	(167)
Net carrying amount	3,873	3,914

10. Goodwill and other intangible assets

The movements in goodwill and other intangible assets were as follows:

	Goodwill	Licenses	Computer Software	Total
Gross book value				
31 December 2015	3,462	1,927	1,718	7,107
Additions	-	23	247	270
Disposals	-	-	(113)	(113)
31 December 2016	3,462	1,950	1,852	7,264
Additions	-	47	179	226
Disposals	-	-	-	-
31 December 2017	3,462	1,997	2,031	7,490
Accumulated depreciation				
31 December 2015	-	277	688	965
Depreciation charge	-	213	184	397
31 December 2016	-	490	872	1,362
Depreciation charge	-	211	197	408
31 December 2017	-	701	1,069	1,770
Net book value				
31 December 2015	3,462	1,650	1,030	6,142
31 December 2016	3,462	1,460	980	5,902
31 December 2017	3,462	1,296	962	5,720

As of 31 December 2017 and 31 December 2016, goodwill acquired through business combinations has been allocated to the single cash-generating unit for impairment testing purposes – medical insurance business of JSC Insurance Company Imedi L.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation through a cash flow projection based on the approved budget covering a three-year budget under the assumption that business will steadily grow and the cash flows will be stable. The discount rate applied to cash flow projections is the weighted average cost of capital ("WACC") of for the cash-generating unit.

Discount rates were not adjusted for either a constant or a declining growth rate beyond the three-year period covered in financial budgets. For the purposes of the impairment test, a 0% permanent growth rate has been assumed when assessing the future operating cash flows of the cash-generating unit.

The carrying amount of goodwill distributed on each of the cash generators is as follows:

(Thousands of Georgian Lari unless otherwise stated)

	Increases effective annual rate in three years of financial budgets:	Average weighted average capital cost used to determine impairment	Goodwill Balance Cost 31 December, 2017
Aldagi	33.46%	11.30%	3,260
Imedi L International	33.46%	11.30%	99
Partner	33.46%	11.30%	103
			3,462

11. Other assets

Other assets as of the end of the period comprise:

	31 December 2017	31 December 2016
Advances and prepayments	4,898	4,632
Trade Receivables	246	2,253
Prepaid operating taxes	—	417
Inventory	197	204
Other	128	529
Other assets	5,469	8,035

12. Equity

As at 31 December 2017 and 31 December 2016 the number of authorized ordinary shares was 4,169,854 with a nominal value per share of one Georgian Lari. Authorized shares amount to 4,169,854 at par value of one Georgian Lari. All authorized shares have been issued and fully paid.

The share capital of the Company was contributed by the shareholders in Georgian Lari and they are entitled to dividends and any capital distribution in Georgian Lari. No dividends were declared or paid during 2017 and 2016.

Other reserves fully comprise of the revaluation reserve for property and equipment that is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

Regulatory capital requirements in Georgia are set by the Insurance State Supervision Service of Georgia and are applied to JSC Insurance Company Imedi. Insurance State Supervision Service of Georgia requirement is to maintain a minimum capital of GEL 2,200, of which 100% should be kept as cash at bank or bank deposits (2016: 2,200 and 100% kept as cash at bank or bank deposits). Bank confirmation letter is submitted to Insurance State Supervision Service of Georgia on a monthly basis in order to prove compliance with the above-mentioned regulatory requirement. The Company regularly and consistently complies with the Insurance State Supervision Service of Georgia regulatory capital requirement.

*(Thousands of Georgian Lari unless otherwise stated)***13. Insurance contract liabilities**

Insurance contract liabilities as of end of the period comprise:

	31 December 2017	31 December 2016
Insurance contracts liabilities		
- Unearned premiums provision	19,115	22,235
- Provisions for claims reported by policyholders	4,966	4,454
- Provisions for claims incurred but not reported (IBNR)	2,086	3,875
Total insurance contracts liabilities	26,167	30,564

The movement during the year in insurance contract liabilities is as follows.

	2017	2016
At the start of the period	30,564	22,348
Premiums written during the year	50,590	65,654
Premiums earned during the year	(53,710)	(61,440)
Claims incurred during the current accident year	45,209	53,317
Claims paid during the year	(45,810)	(48,787)
Claim settlement expenses	(676)	(528)
At the end of the period	26,167	30,564

Insurance contract liabilities – terms, assumptions and sensitivities**(1) Terms and conditions**

Risks under policies usually cover twelve month duration. For insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are refined monthly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

(2) Assumptions

The Company reviews its unexpired risk based on historical performance of separate business lines to determine overall change in expected claims.

(3) Loss development triangle

Reproduced below is an exhibit that shows the development of claims over a period of time. The table shows the reserves for both claims reported and claims incurred but not yet reported, and cumulative payments.

The claims estimates are translated into Georgian Lari at the rate of exchange that applied at the end of the accident year.

(Thousands of Georgian Lari unless otherwise stated)

Accident year	2014	2015	2016	2017	Total
At the end of accident year	60,827	46,486	53,317	45,209	
One year later	60,864	46,205	53,082		
Two years later	60,864	46,205			
Three years later	60,864				
Current Estimation of Cumulative Claims incurred	60,864	46,205	53,082	45,209	205,360
At the end of accident year	(47,092)	(42,427)	(45,377)	(38,816)	
One year later	(58,013)	(45,818)	(52,764)		
Two years later	(58,226)	(45,866)			
Three years later	(60,862)				
Cumulative Payments to date	(60,862)	(45,866)	(52,764)	(38,816)	(198,308)
Outstanding Claims provision per the statement of financial position	2	339	318	6,393	7,052
Current Estimation of Surplus/(Deficiency)	(37)	281	235		
% of Surplus/ (deficiency) of initial gross reserve	-0.1%	0.6%	0.4%		

14. Borrowings

Borrowings as of end of the period comprise:

	31 December 2017	31 December 2016
Borrowings from local lenders	1,605	—
Borrowings from international credit institutions	7,981	11,823
Total Borrowings	9,586	11,823

As of 31 December 2017 borrowing from international credit institutions has interest rate of 6 month LIBOR plus 1.9% with remaining maturity of 2 years (31 December 2016: 6 month Libor plus 1.9% with remaining maturity of 3 years). Borrowings from local lenders represent loans payable to entities under common control which have interest rate 11.75% with maturity of 9 months.

15. Other liabilities

Other liabilities as of the end of the period comprise:

	31 December 2017	31 December 2016
Accruals for employee compensation	1,700	2,055
Creditors	156	503
Other	63	359
Other liabilities	1,919	2,917

Other liabilities of the Company are non-interest bearing.

*(Thousands of Georgian Lari unless otherwise stated)***16. Commitments and contingencies****Legal**

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

Taxation

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

Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax, currency and customs positions will be sustained.

Financial commitments and contingencies

As of 31 December, the Company's financial commitments and contingencies comprised the following:

	31 December 2017	31 December 2016
Operating lease commitments:		
- Not later than 1 year	478	533
- Later than 1 year but not later than 5 years	1,116	1,330
Financial contingencies	1,594	1,863

17. Net Insurance revenue

Net insurance revenue comprises:

	2017	2016
Gross premiums written	50,590	65,654
Gross change in unearned premium provision	3,120	(4,214)
Net insurance revenue	53,710	61,440

18. Interest income and interest expense

Interest income and interest expense from financial instruments comprises:

	2017	2016
Interest Income		
Amounts Due from credit institutions	358	706
Loan issued	49	408
Cash and cash equivalents	56	-
Interest Income	463	1,114

*(Thousands of Georgian Lari unless otherwise stated)***Interest expense**

Borrowings from local lenders	(46)	(11)
Borrowings from international credit institutions	(1,212)	(871)
	(1,258)	(882)

19. Acquisition costs

Acquisition costs comprise:

	2017	2016
Acquisition costs, gross	(3,528)	(4,094)
Acquisition costs deferred (note 9)	(3,353)	(2,950)
Amortization of deferred acquisition costs (note 9)	3,401	2,659
Acquisition costs	(3,480)	(4,385)

20. Salaries and other employee benefits

Salaries and employee benefits comprise:

	2017	2017
Salaries	(3,318)	(3,925)
Insurance and other benefits	(174)	(237)
Share-based compensation	(91)	(297)
Salaries and other employee benefits	(3,583)	(4,459)

21. General and administrative expenses

General and administrative expenses comprise:

	2017	2016
Occupancy and rent	(494)	(1,028)
Communications	(138)	(286)
Marketing and advertising	(130)	(227)
Utilities	(182)	(217)
Legal and consultancy	(229)	(199)
Printing	(68)	(144)
Representative	(126)	(142)
Office supplies	(60)	(99)
Bank fees and commissions	(64)	(75)
Operating taxes	(58)	(56)
Business travel and related	(26)	(38)
Charity	(4)	(26)
Personnel training	(34)	(22)
Security	(6)	(11)
Repair and maintenance of property and equipment	(10)	(9)
Other GA	(37)	(41)
Total general and administrative expenses	(1,666)	(2,620)

(Thousands of Georgian Lari unless otherwise stated)

22. Risk management

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

Governance framework

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

Executive management of the Company monitors and manages risks on a regular basis, by assigning tasks, creating different working groups and setting up risk management policy as well as respective guidelines and controlling their implementation and performance of relevant departments.

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

Capital management objectives, policies and approach

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

The capital management objectives are:

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

The operations of the Company are also subject to local regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The Company's capital management policy for its insurance business is to hold the least required amount of the regulatory capital and, also, to hold sufficient liquid assets to cover statutory requirements based on the directives of ISSSG. Regulations of ISSSG require that an insurance company must hold liquid assets of at least 75% of its unearned premium reserve, net of gross insurance premiums receivable, and 100% of its loss reserves. Assets eligible for inclusion in liquid assets are: cash and cash equivalents, amounts due from credit institutions, loans issued, investment property as well as other financial assets, as defined by ISSSG. Amount of such minimal liquid assets is called "Statutory Reserve".

*(Thousands of Georgian Lari unless otherwise stated)***22. Risk management (Continued)**

The Statutory Reserve requirement for Imedi L as at 31 December 2017 equals to the minimal amount of liquid assets of GEL 5,643 (31 December 2016: GEL 6,990). The insurance company is fully compliant with the requirement by holding actual GEL 6,378 (31 December 2016: GEL 8,387) of total eligible liquid assets.

New regulations regarding solvency requirements to an insurer were introduced in Insurance Law of Georgia in September 2016; the regulations will become effective for the Company starting from 1 January of 2018.

(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 Company faces under such contracts is that actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid that are greater than originally estimated and subsequent development of long term claims.

The Company primarily uses its loss ratio and its combined ratio to monitor its insurance risk. Loss ratio is defined as net insurance claims divided by net insurance revenue. Combined ratio is sum of loss ratio and expense ratio. Expense ratio is defined as insurance related operating expenses excluding interest expense divided by net insurance revenue. The Company's loss ratios and combined ratios were as follows:

	31 December 2017	31 December 2016
Loss Ratio	84%	86%
Combined Ratio	103%	108%

The table below sets out the concentration of claim insurance contract liabilities by type of contract.

	31 December 2017	31 December 2016
Healthcare	6,128	7,470
Life	660	667
Travel	202	144
Personal accident	62	48
	7,052	8,329

Financial risk**(2) Credit risk**

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for product and currency concentrations, and by monitoring exposures in relation to such limits. Also, the Company establishes and regularly monitors credit terms by types of debtors, which is a proactive tool for managing the credit risk.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular analysis of debt service, aging of receivables, etc. Counterparty limits are established in combination with credit terms.

The credit quality review process allows the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Credit quality per class of financial assets

The table below shows the credit quality by class of asset in the statement of financial position.

(Thousands of Georgian Lari unless otherwise stated)

22. Risk management (Continued)**Financial risk****(2) Credit risk**

	Neither past due nor impaired 31 December 2017	Past-due or individually impaired 31 December 2017		Total 31 December 2017
		Less than 91 days	More than 90 days	
Amounts due from credit institutions	8,550	—	—	8,550
Insurance receivables	20,498	1,692	2,363	24,553
Trade receivables	246	—	—	246
Total	29,294	1,692	2,363	33,349

	Neither past due nor impaired 31 December 2016	Past-due or individually impaired 31 December 2016		Total 31 December 2016
		Less than 91 days	More than 90 days	
Amounts due from credit institutions	10,013	—	—	10,013
Insurance receivables	23,121	1,682	2,801	27,604
Trade receivables	2,253	—	—	2,253
Total	35,387	1,682	2,801	39,870

The Company does not have a credit rating system to evaluate neither past due nor impaired loans.

(2) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal or stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its capital, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a regular basis. This incorporates daily monitoring of expected cash flows and liquidity needs.

The Company manages the maturities of its assets and liabilities for better matching, which helps the Company additionally mitigate the liquidity risk. The major liquidity risks confronting the Company are the daily calls on its available cash resources in respect of supplier contracts, claims arising from insurance contracts and the maturity of borrowings.

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

(Thousands of Georgian Lari unless otherwise stated)

22. Risk management (Continued)**(2) Liquidity risk**

31 December 2017	Within one year	More than one year	Total
Assets			
Cash and cash equivalents	1,513	—	1,513
Amounts Due from Credit Institutions	8,550	—	8,550
Insurance Receivables	21,964	—	21,964
Current Income tax assets	687	—	687
Property and Equipment	—	5,837	5,837
Goodwill and Intangible assets	—	5,720	5,720
Other Assets	5,469	—	5,469
Total assets	38,183	11,557	49,740
Liabilities:			
Insurance Contract Liabilities	26,167	—	26,167
Claims payable	3,369	—	3,369
Borrowings	4,298	5,288	9,586
Other Liabilities	1,919	—	1,919
Total liabilities	35,753	5,288	41,041
Net position	2,430	6,269	8,699
Accumulated gap	2,430	8,699	

31 December 2016	Within one year	More than one year	Total
Assets			
Cash and cash equivalents	4,362	—	4,362
Amounts Due from Credit Institutions	10,013	—	10,013
Insurance Receivables	24,987	—	24,987
Loans Issued	—	—	—
Current Income tax assets	757	—	757
Deferred income tax asset	—	310	310
Property and Equipment	—	5,562	5,562
Goodwill and Intangible assets	—	5,902	5,902
Other Assets	8,035	—	8,035
Total assets	48,154	11,774	59,928
Liabilities:			
Insurance Contract Liabilities	30,564	—	30,564
Claims payable	2,744	—	2,744
Borrowings	4,298	7,525	11,823
Other Liabilities	2,917	—	2,917
Total liabilities	40,523	7,525	48,048
Net position	7,631	4,249	11,880
Accumulated gap	7,631	11,880	

(Thousands of Georgian Lari unless otherwise stated)

22. Risk management (continued)**Financial risk (continued)**

Amounts and maturities in respect of the insurance contract liabilities are based on management's best estimate based on statistical techniques and past experience. Management believes that the current level of the Company's liquidity is sufficient to meet its all present obligations and settle liabilities in timely manner.

The Company also matches the maturity of financial assets and financial liabilities and imposes a maximum limit on negative gaps.

(3) 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 Company 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), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

(4) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the financial instruments or the future cash flows on financial instruments. As at 31 December, the effective average interest rates by currencies for interest generating/bearing monetary financial instruments were as follows:

	2017		2016	
	GEL	USD	GEL	USD
Amounts due from credit institutions	12.62%	4.53%	7.59%	4.99%
Borrowings	11.75%	13.93%	0.00%	13.91%

The Company has floating interest rate borrowings linked to LIBOR rates and is therefore exposed to interest rate risk. The following table demonstrates sensitivity to a reasonable possible change:

31 December 2017	Increase in basis points	Sensitivity of interest expense
LIBOR	-0.20%	42
	0.20%	(42)
31 December 2016	Increase in basis points	Sensitivity of interest expense
LIBOR	-0.71%	92
	0.71%	(92)

(Thousands of Georgian Lari unless otherwise stated)

22. Risk management (continued)**Financial risk (continued)****(5) Currency risk**

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

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2017 and 31 December 2016 on its monetary assets and liabilities. 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 profit or loss. A negative amount in the table reflects a potential net reduction in profit or loss, while a positive amount reflects a net potential increase.

31 December 2017

	<i>GEL</i>	<i>USD</i>	<i>EUR</i>	<i>Total</i>
Assets:				
Cash and cash equivalents	1,286	168	59	1,513
Amounts due from credit institutions	800	7,750	—	8,550
Insurance and reinsurance receivables	21,943	21	—	21,964
Total assets	24,029	7,939	59	32,027
Liabilities:				
Insurance contract liabilities	25,891	130	146	26,167
Borrowings	1,605	7,981	—	9,586
Other liabilities	1,919	—	—	1,919
Total liabilities	29,415	8,111	146	37,672
Net position	851	(6,409)	(87)	(5,645)
 Increase in currency rate in %		11.45%	17.19%	
Effect on profit		(733.8)	(15.0)	
 Decrease in currency rate in %		-11.45%	-17.19%	
Effect on profit		733.8	15.0	

31 December 2016

	<i>GEL</i>	<i>USD</i>	<i>EUR</i>	<i>Total</i>
Assets:				
Cash and cash equivalents	4,279	77	6	4,362
Amounts due from credit institutions	459	9,554	—	10,013
Insurance and reinsurance receivables	24,965	22	—	24,987
Total assets	29,703	9,653	6	39,362
Liabilities:				
Insurance contract liabilities	30,003	138	423	30,564
Borrowings	—	11,823	—	11,823
Other liabilities	2,472	445	—	2,917
Total liabilities	32,475	12,406	423	45,304
Net position	(2,772)	(2,753)	(417)	(5,942)

(Thousands of Georgian Lari unless otherwise stated)

Increase in currency rate in %	14.0%	17.5%
Effect on profit	(385.4)	(73.0)
Decrease in currency rate in %	-7.0%	-10.5%
Effect on profit	192.7	43.8

23. Fair values measurements**Fair value hierarchy**

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The Company uses the following hierarchy for determining and disclosing the fair value:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- ▶ Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy:

Assets measured at fair value	Level 1	Level 2	Level 3	Total 2017
Office buildings	–	–	3,874	3,874

Assets for which fair values are disclosed

Cash and cash equivalents	1,513	–	–	1,513
Amounts due from credit institutions	–	–	8,550	8,550

Liabilities for which fair values are disclosed

Borrowings	–	–	9,586	9,586
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Assets measured at fair value	Level 1	Level 2	Level 3	Total 2016
Office buildings	–	–	3,915	3,915

Assets for which fair values are disclosed

Cash and cash equivalents	4,362	–	–	4,362
Amounts due from credit institutions	–	10,013	–	10,013

Liabilities for which fair values are disclosed

Borrowings	–	11,823	–	11,823
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The following is a description of the determination of fair value for financial instruments and property which are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

23. Fair values measurements (continued)

Office buildings and Investment Property

31 December 2017	Valuation technique	Significant unobservable inputs	Amount	Other key information	Area	Sensitivity of the input to fair value
Property and equipment	3,874					
2,094	Market approach	Price per square meter	2,057-2,284	Square meters, building	211; 619	increase (decrease) in the price per square meter would result in increase (decrease) in fair value
227	Cost approach	Replacement cost per square meter	188	Square meters, building	1,327	increase (decrease) in the replacement cost per square meter would result in increase (decrease) in fair value
		Developers' profit margin	10%			increase (decrease) in the developers' profit margin would result in increase (decrease) in fair value
		Land price per square meter	5	Square meters, land	5,782	increase (decrease) in the price per square meter would result in increase (decrease) in fair value
1,553	Market approach	Price per square meter	2,716	Square meters, building	584	increase (decrease) in the price per square meter would result in increase (decrease) in fair value

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(Thousands of Georgian Lari unless otherwise stated)

23. Fair values measurements (continued)**Fair value hierarchy (continued)**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements. As at 31 December 2017 and 31 December 2016 carrying values of financial assets and liabilities that are not carried at fair value in the statement of financial position were not significant different to their fair values.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments.

24. Related party transactions

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's length basis.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the period are as follows:

	31 December 2017	31 December 2016
	<i>Entities under common control</i>	<i>Entities under common control</i>
Cash and cash equivalents	1,180	4174
Insurance and reinsurance receivables	4,277	3140
Prepayments	1,743	-
Other assets	-	994
	7,200	8,308
Liabilities		
Borrowings	1,600	-
Insurance contract liabilities	5,214	6,155
Claims payable	1,671	458
Other liabilities	11	-
	8,496	6,613
Income and expenses		
Insurance premium	5,885	3,973
Insurance claims	(6,810)	(11,639)
General and administrative expenses	(76)	(716)
Interest income	332	548
Interest expense	(307)	(415)
	(976)	(8,249)

*(Thousands of Georgian Lari unless otherwise stated)***24. Related party transactions (continued)**

Compensation of key management personnel comprised the following:

	2017	2016
Salaries and cash bonuses	189	180
Share-based compensation	-	71
Termination expenses	-	164
Total key management compensation	189	415

25. Subsequent Events

In January 2018, significant changes were made.

On January 3, 2018 By the Shareholders decision, Company's Capital increased by 10,000 GEL.

Also the ING Bank's longterm debt was repaid on January 24, 2018.

The Company also received loan of 8,336 GEL, at 10.75%.

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