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GREEN INSURANCE GEORGIA

2020

Translated from original Georgian

JSC GREEN INSURANCE GEORGIA

Financial Statements and

Independent Auditors' Report

For the year ended December 31, 2020

Independent auditor's report

To the Shareholders and the Supervisory Board of JSC GREEN INSURANCE GEORGIA

Qualified Opinion

We have audited the financial statements of JSC GREEN INSURANCE GEORGIA (hereinafter - the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, satatement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the "basis for qualified opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

In the statement of profit and loss and other comprehensive income in 2020 is recognized as "other operating expenses" in the amount of 371 thousand GEL, which is paid on the basis of a penalty accrued due to unilateral termination of the contract with the related party. When considering a relationship with a related party under IAS 24, the focus should be on the nature of the relationship itself and not just its legal form. We were unable to obtain sufficient and appropriate audit evidence about the reasonableness and basis of the mentioned expense.We have not been able to obtain sufficient and appropriate audit evidence about the appropriateness of classification and the basis of that expense, consequently, we were unable to determine whether any adjustments to this amount was necessary in the statement of profit and loss and other comprehensive income, as well as in the other relevant elements of the Financial Statements for the year then ended.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board (the "IESBA Code") for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**Our audit procedures to address the risk**
Written Premiums	
Gross Written Premiums are the Company's primary source of income and comprise amounts received from insurance policies that are effective during the reporting period. In our view, revenue recognition is significant to our audit as the Company may inappropriately account for insurance policies, and the fact that nature of the account is significant, connections to other items in financial statements, and sensitivity of the item.	With respect to Gross Written Premium in respect of various types of insurance we carried out the following procedures: ➢ Carried out analytical procedures and recalculated premium income for the period. ➢ Carried out cut-off procedures to ensure that unearned premium income has not been included in the premium income ➢ On a sample bases reviewed signed insurance contracts and policies to ensure that information submitted in premium register is consistent. ➢ Tested insurance contracts on a sample

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	bases in regard of the proper level of reinsurance. Ensured that reinsurance premiums were deducted from gross premiums. ➢ We assessed the disclosures in the financial statements on premium income.
Insurance Claims	
Insurance Claim is the significant area of expense for the Company. Total Claims Incurred Include Paid Claims and claims Reported but not settled (RBNS). It is critical for insurance companies to determine the amount of insurance losses and therefore to recognize them correctly. The payment of claims was considered to be one of the areas which required significant auditor attention and was one of the matter of most significance in the financial statements.	With respect to Insurance Claims in respect of various types of insurance we carried out the following procedures: ➢ Obtained the claim register and tested for completeness of claims recorded in the register on a sample basis ➢ Performed test of details and analytical review procedures on the outstanding claims. ➢ Verified the claim paid on sample basis with payment proof and insurance contract. ➢ For the claims cases which has been reported but not settled we have checked the RBNS breakdown with the underlying data (claim number, insured, line of insurance, amount, accident date, report date, transaction date and ect.) ➢ Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the Management Report for the year ended 31 December 2020, but does not include the financial statements and our auditor's report thereon. The management report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially consistent with the financial statements and with the regulatory requirements, or otherwise appears to be materially misstated based on our knowledge obtained in the audit.

If, based on the work we perform on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

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considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely ra re circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Sophiko Ghudushauri, The engagement partner (SARAS-A-835962)

Nexia TA LLC (SARAS-A-550338)

April 7, 2021

Tbilisi, Georgia

Closer to you

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JSC GREEN INSURANCE GEORGIA
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020
(In thousands of Georgian Lari)

	Notes	2020	2019
Gross premiums	7	2,678	3,244
Premiums ceded to reinsurers	7	(26)	-
Net premiums		**2,652**	**3,244**
Change in unearned premium provision, gross	7	(198)	1
Change in unearned premium provision, reinsurers share	7	14	-
Net earned premiums	7	**2,468**	**3,245**
Gross benefits and claims paid	8	(151)	(151)
Net change in insurance contracts liabilities		(7)	14
Net claims		**(158)**	**(137)**
Income received by regression	9	41	16
Acqusition costs, net of reinsurance	10	(30)	(39)
Recovery of impairment allowance		-	28
Insurance activity result		**2,321**	**3,113**
Interest income	11	498	237
Interest expense		(6)	(8)
Other income		33	2
General and administrative expenses	12	(1,273)	(1,277)
Other expenses		(375)	(11)
F/X effect on foreign currency	13	1,054	371
Profit before tax		**2,252**	**2,427**
Income tax expense	14	(399)	(364)
Net profit for the year		**1,853**	**2,063**
Other comprehensive income		-	6
Total comprehensive income for ther year		**1,853**	**2,069**
Basic And diluted earnings per share in GEL	20	0.22	0.48

These financial statements were approved and signed on behalf of management on April 7, 2021:

Eka Tsenteradze
General director

Levan Eliauri
Financial director

JSC GREEN INSURANCE GEORGIA
Statement of Financial Position
As of 31 December 2020
(In thousands of Georgian Lari)

	Notes	31 December 2020	31 December 2019
Assets			
Long-term assets			
Property, plant and equipment		30	13
Intangible assets		65	41
Right-of-use asset		44	97
Deffered tax assets	14	1	1
Deferred acquisition costs		6	4
Total long-term assets		**146**	**156**
Short-term assets			
Prepayment		24	24
Insurance and reinsurance receivables	15	601	216
Reinsurance assets		14	-
Receivable from regress		13	10
Amounts due from credit institutions	16	11,706	6,995
Cash and Cash Equivalents	17	577	421
Total short-term assets		**12,935**	**7,666**
Total assets		**13,081**	**7,822**
Equity and liabilities			
Long-term liabilities			
Lease liability		-	14
Total long-term liabilities		**-**	**14**
Short-term liabilities			
Insurance contracts liabilities	18	596	391
Other insurance liabilities		15	-
Current portion of lease liability		44	80
Tax liabilities		34	220
Accounts Payable	19	538	407
Total short-term liabilities		**1,227**	**1,098**
Total liabilities		**1,227**	**1,112**
Equity			
Share capital	20	10,000	4,350
Retained Earnings		1,854	2,360
Total equity		**11,854**	**6,710**
Total liabilities and equity		**13,081**	**7,822**

These financial statements were approved and signed on behalf of management on April 7, 2021:

Eka Tsenteradze
General director

Levan Eliauri
Financial director

(In thousands of Georgian Lari)

	Share capital (Note N20)	Additional paid-in capital	Retained Earnings	Total
31 December 2018	**4,350**	**6**	**291**	**4,647**
Capital reduction	-	(6)	-	**(6)**
Profit for the year	-	-	2,069	**2,069**
31 December 2019	**4,350**	**-**	**2,360**	**6,710**
Issue of share capital	3,291	-	-	**3,291**
Retained earnings transfer to capital	2,359	-	(2,359)	**-**
Comprehensive income for the year	-	-	1,853	**1,853**
31 December 2020	**10,000**	**-**	**1,854**	**11,854**

These financial statements were approved and signed on behalf of management on April 7, 2021:

Eka Tsenteradze
General director

Levan Eliauri
Financial director

JSC GREEN INSURANCE GEORGIA
Statement of Cash Flows
For the year ended 31 December 2020
(In thousands of Georgian Lari)

	Notes	2020	2019
Cash flows from operating activities:			
Insurance premiums		2,063	2,989
Regression received		39	34
Other operating income		98	272
Insurance claims paid		(58)	(28)
Other insurance liabilities covered		(14)	-
Acquisition costs paid		(25)	(31)
Salaries and benefits paid		(535)	(600)
Operating taxes paid		(712)	(435)
Administrative and other expenses paid		(674)	(215)
Interest received		343	226
Net cash flows from operating activities		**525**	**2,212**
Cash flows from investing activities			
Placement of bank deposits		(4,941)	(7,870)
Withdrawal of bank deposits		1,345	5,798
Purchase of intangible assets		(40)	(6)
Purchase of Property, Plant and Equipment		(29)	(2)
Proceeds from sale of property, plant and equipment		3	-
Net cash flows used in investing activities		**(3,662)**	**(2,080)**
Cash flows from financing activities:			
Increase in share capital	20	3,291	-
Payment of lease liability		(56)	(70)
Net Cash flows (used in)/from investing activities		**3,235**	**(70)**
Exchange rate difference effect on cash and cash equivalents		58	(24)
Net change in cash and cash equivalents		**98**	**62**
Cash and cash equivalents at the beginning of the year	17	421	383
Cash and cash equivalents at the end of the year	**17**	**577**	**421**

These financial statements were approved and signed on behalf of management on April 7, 2021:

Eka Tsenteradze
General director

Levan Eliauri
Financial director

1. Corporate information

JSC „ Green Insurance Georgia" (hereign after the „Company") was founded and registered in tax authority on May 13, 2013. The company carries out insurance activity and provides motor own damage insurance, accident insurance, property insurance, liability and other types of insurance.

On February 27, 2020, the company changed its name to JSC Kamara International Insurance Company and JSC Green Insurance continues to operate on behalf of Georgia. The company is a joint stock company, until December 7, 2015 it was a limited liability company. The company operates in accordance with the legislation of Georgia. The legal and factual address of the company is Ana Kalandadze Street # 4, Tbilisi, Georgia.

As of December 31, 2020, the number of shares listed by classes is as follows: Class A - 4,350,000 pieces, Class AA - 1,650,000 pieces, Class B - 4,000,000 pieces. The nominal value of all classes of shares is 1 (one) GEL. As of December 31, 2019, the number of shares is 4,350,000 and the nominal value of each share is 1 (one) GEL.

As of December 31, 2020, the owners of A and AA class shares of the company were: JSC Metro Aurasia Investment Georgia - 50% and New Investment Opportunities Ltd - 50%, and the owners of B class shares: New Investment Opportunities - 50%, JSC Metro Aurasia Investment - 43%, JSC Metro Atlas Georgia - 4.5% and JSC Metro Construction - 2.5%. As of December 31, 2019, the owners of the company were: Chetin Aydin (personal number 20692382642) -61%, Hussein Yaman (personal number 48838112892) - 39%.

The insurance license was given to the Organization on October 11, 2013, license certificate #NL013, issued by LEPL Insurance State Supervision Service of Georgia. In accordance with Order №05/4 of the Head of Insurance State Supervision Service of Georgia the company has been granted life insurance license on 2 November 2020.

Governing body of the Company is supervisory board and the general assembly. Day to day activities of the Company are managed by general director of the Company. As at the years end 2020 and 2019 general director of the company is Eka Tsenteradze.

2. Basis of preparation

General information

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The Company has applied the temporary exemption from IFRS 9 Financial Instruments and plans to have the initial application on 1 January 2023.

This financial information is presented in Georgian Lari ("GEL") rounded to nearest thousand, unless otherwise stated.

Going Concern

Management has prepared these financial statements on a going concern basis. In making this judgment management considered the Company's financial position, current intentions, the profitability of operations and access to local and international financial resources, as necessary.

Insurance industry has faced challenges as a result of spread of the COVID 19 around the world and in Georgia. The Company has assessed the future perspectives (see note 25) in the current situation and, as a result, the Company's management believes that there is no doubt about the Company's ability to continue as a going concern for at least the following 12 months after reporting period.

(In thousands of Georgian Lari)

3. Significant accounting policies

The following significant accounting policies used in the preparation of these financial statements consistently apply to all periods presented, unless otherwise stated.

Functional and presentation currency, foreign currency conversion

The functional currency of the Company is national currency of Georgia – Georgian Lari (GEL). Transactions in foreign currencies are initially recorded in the functional currency using the spot rate at the date of the transaction determined by National Bank of Georgia. Foreign currency monetary items at the reporting date are translated using the closing rate determined by National Bank of Georgia. All exchange differences arising on settlement are recognized in profit or loss.

The principal rate of exchange used for translating foreign currency monetary balances were as follows:

	31 December 2020	31 December 2019
1 USD/GEL	3.2766	2.8677
1 EUR/GEL	4.0233	3.2095

The average rate during the year was as follows:

	2020	2019
1 USD/GEL	3.1097	2.8192
1 EUR/GEL	3.5519	3.1553

Basis of measurement

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Reporting period

The Company's reporting period covers one calendar year: January 1 to December 31.

Insurance contracts

Insurance contracts are those contracts that carry significant insurance risk at the time of signing, or those contracts that contain, at the time of signing, a scenario of commercial content in which insurance risk can be significant. A significant amount of insurance risk depends on both the probability of the insured event occurring and the extent of its possible impact.

Once a contract falls under the category of insurance contracts, it remains an insurance contract for the remaining period, even if the insurance risk is substantially reduced during this time unless all rights or obligations are fulfilled or their term expires.

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognised based upon insurance policy terms and measured at cost. The carrying value of insurance and reinsurance 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 statement of profit or loss Reinsurance receivables primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies

3. Significant accounting policies (continued)

and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

An impairment review is performed on all ceded share of technical provisions when an indication of impairment occurs. Reinsurance receivables are impaired only if there is objective evidence that the Company may not receive all amounts due to it under the terms of the contract and that this can be measured reliably.

Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision and the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported (RBNS) or not (IBNR), together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. IBNR is calculated at the reporting date using past statistics.

The provision for unearned premiums (UPR) represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is 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.

General business contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. The liability is calculated at the reporting date using a range of standard claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognized. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The reserve is recognized upon the entry into force of the contract and the accrual of the premium and is recorded as income from the premium during the contract period, in accordance with the insurance scheme of the contract. The carrying amount of the unearned premium on active policies for each reporting date is calculated based on the insurance period and the time remaining before the expiry of each insurance policy. The Company reviews inexhaustible risk based on the past operations of individual business directions to determine the overall change in expected requirements. The difference between the unearned premium reserve, the loss reserve and the expected insurance claims is recorded in the income statement.

Liability adequacy test

The adequacy of the liability is tested to determine whether the expected claims exceeds unearned premium (minus deferred acquisition cost).

Deferred acquisition costs

Deferred acquisition costs ("DAC") are capitalized and amortized on a straight line basis over the life of the contract. All other acquisition costs are recognised as an expense when incurred. Acquisition costs deferred consist of commissions to sales agents and brokerage companies assisting in policy issuance.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and bank deposits 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 recognised 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.

3. Significant accounting policies (continued)

Regress and receivables

Regress and other receivables are recognised 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 the statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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 statement of profit or loss and other comprehensive income.

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 recognised 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 recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss and other comprehensive income, 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 statement of profit or loss and other comprehensive income. (Profit or Loss)

3. Significant accounting policies (continued)

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 derecognised when the obligation under the liability is discharged or cancelled or expires.

Leases

The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets key evaluations which are whether:

a) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
b) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use;

Measurement and recognition of leases as a lessee

At lease commencement date, the Company measures the right-of-use asset at cost. The cost of right-of-use asset is made up: initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, to restore the place where the asset is located, or to restore the leased asset to a condition required by the terms of the lease, unless those costs are incurred to produce the Inventories. The lessee's liability for such expenses arises either at the effective date of the lease term or as a result of the use of the leased asset for a specified period.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

3. Significant accounting policies (continued)

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

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

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

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

On the statement of financial position, right-of-use assets can be included in property, plant and equipment or presented separately and lease liabilities can be included in trade and other payables or presented as a separate liability.

Income tax

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

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

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

Deferred tax assets are recognised only to the extent that the Company considers that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction. Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Company's intention is to settle the amounts on a net basis.

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

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 more probable than not.

3. Significant accounting policies (continued)

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Capital

Share capital

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised 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 authorised for issue.

Income and expense recognition

Gross premiums and provision for unearned premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods.

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

Reinsurance premiums and provision for unearned premiums

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

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

Insurance claims

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

3. Significant accounting policies (continued)

Impairment of non-financial assets

At each reporting date assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment and the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. Recoverable amount is higher of fair value less costs to sell and value is use.

Joint Arrangements: Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint operator shall recognise in relation to its interest in a joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly; (c) its revenue from the sale of its share of the output arising from the joint operation;(d) its share of the revenue from the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly.

4. Significant accounting judgments, estimates and assumptions

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The 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:

Liabilities arising from insurance contracts

The estimation of the ultimate liability arising from claims is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

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 ultimate cost of IBNR is estimated by using a range of standard actuarial claims projection techniques, such as Chain ladder method; the main assumption underlying this technique is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed monthly development of past year and expected loss ratios.

Allowance for impairment of insurance receivables and reinsurance receivables

The company regularly reviews its insurance receivables to assess impairment. For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include significant financial difficulty of the customer and/or breach of contract such as default of payment. The amount of allowance is reduced by an amount of debt that the company has adequate reasons to believe will be recovered. 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.

(In thousands of Georgian Lari)

5. New standards and interpretations not yet adopted

IFRS 9 "Financial Instruments "

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The company has decided to defer the application of IFRS 9 until the earlier of the effective date of the new insurance contracts standard (IFRS 17) of 1 January 2023, applying the temporary exemption from applying IFRS 9 as introduced by the amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 (the "deferral approach"). At its meeting after in January 2018, the IASB tentatively decided to extend the use of the deferral approach to IFRS 9 for a further year, so that the eligible entities would only be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023 at the latest. An entity may apply the temporary exemption from IFRS 9 if:

(i) it has not previously applied any version of IFRS 9 before and except for requirements relating to the presentation of income or loss on financial liabilities that the entity, in its sole discretion, has classified as measured at fair value through profit or loss; And

(ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

IFRS 17 "Insurance Contracts"

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

FRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective approach is mandatory. However, if full retrospective approach is not possible for the insurance contract group, then the enterprise is required to choose either a modified retrospective approach or a fair value method.

6. Prior period reclassifications

The Company also made certain reclassifications to the balances of the comparative figures for better presentation purposes, which do not represent an adjustment or correction of an error.

The tables below summarised the total effect of reclassifications to prior period balances.

31 December 2019	According to previous report	Reclassification	Adjusted amounts
Change in unearned premium reserve	-	(1)	1
Net change in insurance reserve loss	15	1	14

(In thousands of Georgian Lari)

7. Net earned premiums

Net earned premiums for the years ended December 31, 2020 and 2019 comprise:

2020	**Motor insurance**	**Compulsory MTPL**	**Guarantees related to state procurement and other liabilities**	**Machinery insurance**	**Property insurance**	**MTPL**	**Land carrier liability insurance**	**Construction risk insurance**	**Professional Indemnity Insurance**	**Travel insurance**	**Other types of liability insurance**	**Total**
Gross premiums written	1,222	1,203	110	52	16	13	12	7	4	39	**2,678**	1,222
Change in the gross provision for unearned premiums	(210)	45	4	-	(12)	(6)	(8)	-	-	(11)	**(198)**	(210)
Gross earned premiums	**1,012**	**1,248**	**114**	**52**	**4**	**7**	**4**	**7**	**4**	**28**	**2,480**	**1,012**
Premiums ceded to reinsurers	**-**	**-**	**-**	**(2)**	**(7)**	**-**	**-**	**(7)**	**(3)**	**(7)**	**(26)**	**-**
Change in unearned premium provision, reinsurers share	**2**	**-**	**-**	**-**	**7**	**-**	**-**	**-**	**3**	**2**	**14**	**2**
Net earned premiums	**1,014**	**1,248**	**114**	**50**	**4**	**7**	**4**	**-**	**4**	**23**	**2,468**	**1,014**

2019	**Motor insurance**	**Compulsory MTPL**	**Guarantees related to state procurement and other liabilities**	**Machinery insurance**	**Property insurance**	**MTPL**	**Land carrier liability insurance**	**Construction risk Insurance**	**Professional Indemnity Insurance**	**Travel insurance**	**Other types of liability insurance**	**Total**
Gross premiums written	814	2,262	154	-	-	7	2	-	4	1	**3,244**	814
Change in the gross provision for unearned premiums	30	(24)	(7)	-	-	1	1	-	-	-	**1**	30
Gross earned premiums	**844**	**2,238**	**147**	**-**	**-**	**8**	**3**	**-**	**4**	**1**	**3,245**	**844**
Premiums ceded to reinsurers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in unearned premium provision, reinsurers share	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net earned premiums	**844**	**2,238**	**147**	**-**	**-**	**8**	**3**	**-**	**4**	**1**	**3,245**	**844**

(In thousands of Georgian Lari)

8. Gross benefits and claims paid

Gross benefits and claims paid for the years ended December 31, 2020 and 2019 is presented as follows:

	2020	2019
Compulsory MTPL	93	123
Guarantees related to state procurement and other liabilities	34	12
Motor own damage insurance (automobile)	16	2
MTPL	5	2
Machinery insurance	3	-
Motor own damage insurance (motorcycle)	-	12
Total gross benefits and claims paid	**151**	**151**

9. Income received by regression

Income received by regression for the year ended December 31, 2020 and 2019 is presented as follows:

	2020	2019
Guarantees related to state procurement and other liabilities	34	12
Motor insurance	7	-
Motor own damage insurance (motorcycle)	-	4
Total income received by regression	**41**	**16**

10. Acqusition costs, net of reinsurance

Acqusition costs, net of reinsurance for the year ended December 31, 2020 and 2019 is presented as follows:

	2020	2019
Acquisition costs	33	31
Change in defered acquisition costs	(2)	8
Reinsurance commissions	(1)	-
Total Acquisition costs, net of reinsurance	**30**	**39**

11. Interest income

Interest income for the year ended December 31, 2020 and 2019 is presented as follows:

	2020	2019
Interest income in GEL	250	48
Interest income in USD	248	189
Total interest income	**498**	**237**

12. General and administrative expenses

General and administrative expenses for years ended December 31, 2020 and 2019 is presented as follows:

	2020	2019
Salary and other benefits	674	737
Membership fee	186	273
Consulting costs	110	59
Depreciation and amortization	102	89
Advertising costs	87	5
Supervisory fee	25	33
Audit Fee	20	14
Utility costs	17	10
Bank fees	6	5

(In thousands of Georgian Lari)

12. General and administrative expenses (Continued)

	2020	2019
Communication costs	4	8
Business trips	-	8
Fuel expenses	-	5
Rent expense	-	14
Other general and administrative expenses	42	17
Total general and administrative expenses	**1,273**	**1,277**

13. Net foreign exchange rate effect on foreign currency

Net foreign exchange rate effect on foreign currency for the year ended December 31, 2020 and 2019 is presented as follows:

	2020	2019
Foreign exchange gain	**2,272**	**653**
Amounts due from banks	2,099	599
Insurance and reinsurance receivables	93	35
Cash and cash equivalents	80	19
Trade and other liabilities	-	-
Foreign exchange loss	**(1,218)**	**(282)**
Cash and cash equivalents	(22)	(43)
Amounts due from banks	(1,138)	(229)
Insurance and reinsurance receivables	(58)	(10)
Trade and other liabilities	-	-
Net foreign exchange gain	**1,054**	**371**

14. Income tax expense

Income tax expense for the year ended December 31, 2020 and 2019 is presented as follows:

	2020	2019
Current profit tax expense	(399)	(363)
Deferred income tax expense	-	(1)
	(399)	**(364)**

Profit before tax	**2,252**	**2,427**
Theoretical profit tax (15%)	(338)	(364)
The effect of temporary differences	(1)	-
The effect of permanent differences	(60)	-
Profit tax expense	**(399)**	**(364)**

	Balance 2020 1st January	Charge in profit or loss	Balance 2020 31st December
Property, plant and equipment	2	-	2
Intangible assets	-	(1)	(1)
Right of use of assets	(15)	8	(7)
Lease liability	14	(7)	7
Deferred tax asset	**1**	**-**	**1**

(In thousands of Georgian Lari)

15. Insurance and reinsurance receivables

Insurance and reinsurance receivables for the year ended December 31, 2020 and 2019 is presented as follows:

	31 December 2020	31 December 2019
Insurance receivable in USD	511	9
Insurance receivable in GEL	84	207
Insurance receivable in EUR	4	2
Reinsurance receivables	4	-
Allowance for impairment	(2)	(2)
Total insurance and reinsurance receivables	**601**	**216**

Analysis of movement in allowance for impairment for insurance receivable:

	2020	2019
Balance at the beginning of the year	**2**	**2**
Net charge for the year	-	-
Balance at the end of the year	**2**	**2**

16. Amounts due from credit institutions

Amounts due to from credit institutions for the year ended December 31, 2020 and 2019 is presented as follows:

	31 December 2020			31 December 2019		
	Deposit	**Interest**	**Total**	**Deposit**	**Interest**	**Total**
Deposits in USD	8,486	79	8,565	6,940	17	**6,957**
Deposits in GEL	3,035	106	3,141	35	3	**38**
Total	**11,521**	**185**	**11,706**	**6,975**	**20**	**6,995**

Bank deposits are presented in short-term (from three months to one year) and medium-term placements in Georgian banks, with an annual interest rate of 3% to 12% (2019: from 2.5% to 10%). Information on the amount of accrued interest is provided in Note 11. Funds placed in banks are classified as non-risky, given the fact that the banks where the company has deposits are trustworthy.

17. Cash and cash uquivalents

Cash and cash equivalents for the year ended December 31, 2020 and 2019 is presented as follows:

	December 31 2020	December 31 2019
Cash at bank in foreign currency	40	32
Cash at bank in national currency	537	389
Cash on hand	-	-
Total cash and cash equivalents	**577**	**421**

Balance of money in bank accounts is classified as non-risky.

18. Insurance contracts liabilities

Insurance contracts liabilities for the year ended December 31, 2020 and 2019 is presented as follows:

	Unearned premium provision	Reported but not settled	Incurred but not reported	Total insurance contract liabilities
31 December 2018	**348**	**57**	**1**	**406**
Increase / (decrease)	(1)	(13)	(1)	(15)
31 December 2019	**347**	**44**	**-**	**391**
Increase / (decrease)	198	6	1	205
31 December 2020	**545**	**50**	**1**	**596**

19. Account payable

Account payable for the year ended December 31, 2020 and 2019 is presented as follows:

	31 December 2020	31 December 2019
Payables to Principals	485	384
Trade Payables	30	21
Acquisition cost payable	4	2
Other payables	19	-
Total trade and other payables	**538**	**407**

20. Share Capital

As of December 31, 2020, the Share Capital consists of 4,350,000 shares of Class A (total authorized amount 4,350,000 shares), 1,650,000 shares of Class AA (out of which total authorized amount 1,650,000 shares) and 4,000,000 shares of Class B (total authorized shares 9,000,000). The face value of each is 1 (one) GEL (amount is not given in thousands). As of December 31, 2019, the Share Capital consisted of 4,350,000 pieces of ordinary shares, the face value of each was one GEL (amount not given in thousands).

Class A 1 share provides 1 vote. 1 AA Class share provides 15 votes. Class B 1 share provides 1 vote, however, the Class B shareholder does not participate in the process of electing, challenging/dismissing a member of the Supervisory Board.

According to the minutes of the Extraordinary Shareholders Meeting of February 27, 2020, the retained earnings of GEL 2,359 were converted into 2,359,000 shares with a par value of GEL 1 (not given in thousands). These new shares were distributed to the following owners: JSC Metro Aurasia Investment Georgia - 825,000 shares of AA class, 354,500 shares of B class and New Investment Opportunities LLC - 825,000 shares of AA class, 354,500 shares of B class.

As of December 31, 2020, the owners of the Company's Class A and AA shares were: JSC Metro Aurasia Investment Georgia - 2,175,000 Class A and 825,000 Class AA shares (50%) and New Investment Opportunities LLC (50%), and Class B shareholders: New Investment Opportunities LLC - 2,000,000 shares (50%), JSC Metro Aurasia Investment Georgia - 1,720,000 shares (43%), JSC Metro Atlas Georgia - 180,000 shares (4.5%) And JSC Metro Construction - 100,000 shares (2.5%). As of December 31, 2019, the owners of the company were: Chetin Aydin (personal number 20692382642) -61%, Hussein Yaman (personal number 48838112892) - 39%.

Retained earnings are the portion of net income remaining owned by the Company that is not distrubuted. The company has not announced any dividends for 2020 and 2019. The company's profit for 2020 amounted to GEL 1,853 and the average number of shares during the year was 8,344,811 shares / (not presented in thousands), so the base and diluted loss per share in 2020 was 0.22 GEL (not represented in thousands) and in 2019 0.48 GEL (Not represented in thousands).

(In thousands of Georgian Lari)

21. Financial risk management

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Financial risk comprises **market** risk (including **currency risk**, **interest rate risk** and other price risk), **credit risk** and **liquidity risk**. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

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

	Notes	31 December 2020	31 December 2019
Amounts due from credit institutions	16	11,706	6,995
Insurance and reinsurance receivables	15	601	216
Cash and Cash Equivalents	17	577	421
Receivable from regress		13	10
		12,897	**7,642**

Credit risk is related to the impairment of the above mentioned financial assets.

Market risk - Derives from (a) interest rate risk (b) currency risk, which is affected by general and specific changes in the market.
Interest rate risk - changes in floating interest rates might adversely impact Company's financial position and cash flow, although the Company's financial instruments are at fixed rates, thus the interest rate risk does not currently affect the Company.
Currency risk - The Company is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flow. The Company's assets, namely, insurance receivables, are denominated in several foreign currencies, and liabilities are translated and fixed in the functional currency at the rate specified by the National Bank of Georgia at the date of the operation.

Liquidity risk - liquidity risk is the risk that the Company will be unable to meet its obligations. The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related to payments when those become due. The maturity analysis of financial liabilities as at 31 December 2020 and 31 December 2019 are as follows
The Company believes that it will pay all liabilities within the contractual period. To do this, the company expects sufficient cash flows from operating activities.

31 December 2020	< 1 year	1 to 5 years	Total
Financial assets			
Insurance and reinsurance receivables	601	-	**601**
Receivable from regress	13	-	**13**
Cash and Cash Equivalents	577	-	**577**
Amounts due from credit institutions	11,706	-	**11,706**
Total financial assets	**12,897**	**-**	**12,897**
Financial liabilities			
Insurance contracts liabilities	51	-	**51**
Other insurance liabilities	15	-	**15**
Lease liability	44	-	**44**
Tax liabilities	34	-	**34**
Accounts Payable	538	-	**538**
Total financial liabilities	**682**	**-**	**682**
Difference	**12,215**	**-**	**12,215**

21. Financial risk management (Continued)

31 December 2019	< 1 year	1 to 5 years	Total
Financial assets			
Insurance and reinsurance receivables	216	-	**216**
Receivable from regress	10	-	**10**
Cash and Cash Equivalents	421	-	**421**
Amounts due from credit institutions	6,995	-	**6,995**
Total financial assets	**7,642**	**-**	**7,642**
Financial liabilities			
Insurance contracts liabilities	44	-	**44**
Lease liability	80	14	**94**
Tax liabilities	220	-	**220**
Accounts Payable	407	-	**407**
Total financial liabilities	**751**	**14**	**765**
Difference	**6,891**	**(14)**	**6,877**

The Company believes that it will pay all its liabilities on time. To do this, the company expects sufficient cash flows from operating activities.

22. Capital risk management

Capital management objectives, policy and approaches

The main purpose of capital management is to continuously monitor and ensure appropriate levels of capital appropriate to the risks faced by the company. Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- Compliance with the requirements of the State Insurance Supervision Service of Georgia (hereinafter "Supervision Service");
- Ensuring the composition and structure of assets received to cover overdue insurance liabilities and exceeding regulatory requirements; and
- Ensuring the required level of company stability to ensure the quality of the policyholder safety.

The Company's interest is to provide adequate capital resources at any time and to comply with the requirements of relevant nominal regulatory capital. The company has traditionally been a very good source of capital. Maintaining this good capital base is also important for the future goals of the company to increase profitability and to mitigate the effects of major loss events. Part of capital monitoring and management is the company's investment and risk management strategy, which focuses on maintaining a minimum level of funds held by leading Georgian banks. Asset structure controls are also carried out by monthly reports prepared and sent to the founders, containing relevant calculations audited by the Company's financial director.

Regulatory requirements:

- The insurance sector in Georgia is regulated by the Insurance State Supervision Service of Georgia ("ISSSG"). The ISSSG imposes minimum capital requirements for insurance companies. These requirements are put in place to ensure sufficient solvency margins.
- According to the ISSSG directive №27, issued on 25 December 2017, the minimum capital from 31 December 2018 throughout the period should be not less than GEL 4,200 (in thousands) and the Company should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances. Order of the Head of the State Insurance Supervision Service of Georgia According to №45, the minimum amount of own capital at all stages of the insurance activity must be: a) Life insurance: 7,200 GEL - from December 31, 2021; B) Insurance (non-life) - except for compulsory liability insurance, liability insurance and credit liability insurance: GEL

22. Capital risk management (Continued)

4,800 - from 31 December 2021, c) Insurance (non-life) - compulsory liability insurance, liability insurance and liability insurance Including: 7,200 GEL - from December 31, 2021 and d) Reinsurance: 7,200 GEL - from 31 December 2021. The amount should be placed in the form of cash, other cash equivalents and cash placed in banks.

- The company makes certain adjustments to the IFRS equity in these statements of financial position in order to arrive to the ISSSG prescribed capital.
- The Company manages its capital requirements by preventing shortfalls between reported and required capital levels on a regular basis. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or inject further capital.

The Company was in compliance with the externally imposed capital requirements at the end of the reporting period and no changes were made to its objectives, policies and processes from the previous year for managing capital.

The Regulatory Capital should be at least either RSM or GEL 4,200 (in thousands) throughout the period from 31 January 2018. The regulatory capital should not be less than GEL 7,200 throughout the period from 31 December 2021.

The Regulatory Capital is determined based on the IFRS equity, adjusted for, for example, investments in subsidiaries and associates, unsecured loans and borrowings, etc. as prescribed by the ISSSG directive №16. As at 31 December 2020 and 2019 these financial statements were authorized for issue, the Company was in compliance with the level of Regulatory Capital in excess of to RSM.

23. Contingent liabilities and unforeseen circumstances

Bank guarantees
The company use a bank guarantee from one of the banks, the value of which as of December 31, 2020 and 2019 was 35 GEL. The subject of the mortgage is a term deposit; The deposit amount is 35 GEL (given in thousands).

Tax legislation

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are more significant than in other countries with more developed taxation systems. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

24. Related party balances and 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 or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Associates – enterprises on which the Company has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(In thousands of Georgian Lari)

24. Related party balances and transactions (continued)

(b) Joint ventures in which the Company is a venture;

(c) Members of key management personnel of the Company or its parent;

(d) Close members of the family of any individuals referred to in (a) or (d);

(e) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(f)Post-employment benefit plans for the benefit of employees of the Company, or of any entity that is a related party of the Company.

As of December 31, 2020 and 2019, no balances with related parties and transactions with related parties are presented below:

Insurance and reinsurance receivables	31 December 2020	31 December 2019
Entities under common control	449	-
Total Insurance and reinsurance receivables	**601**	**216**

Insurance contract liabilities	31 December 2020`	31 December 2019
Entities under common control	310	-
Total Insurance contract liabilities	**596**	**391**

Gross premiums	2020	2019
Entities under common control	785	-
Total Gross premiums	**2,678**	**3,244**

General and administrative expenses	2020	2019
Entities under common control	66	-
Total General and administrative expenses	**1,273**	**1,277**

Other expenses	2020	2019
Entities under common control	370	-
Total Other expenses	**375**	**11**

F/X effect on foreign currency	2020	2019
Entities under common control	30	-
Total F/X effect on foreign currency	**1,054**	**371**

	2020	2019
Top management salary and other benefits	110	134
Total	**110**	**134**

25. Events after reporting period

There were no additional significant events after the reporting date that need to be presented in the financial statements.