JSC PSP Insurance and its Subsidiary Company

Consolidated Financial Statements

With the Conclusion of the Independent Auditor

For the reporting year, ended on December 31, 2019

Content:

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Conclusion of the independent auditor

To: Shareholders and management of JSC "PSP Insurance" Group

The auditor's consideration on consolidated financial statements

Consideration

We have conducted the consolidated financial statements audit of JSC PSP Insurance and its subsidiary company (hereinafter referred to as the Group), which consists of consolidated financial statement as of December 31, 2019, as well as consolidated activity results, consolidated reporting of own capital movement and consolidated reporting of funds movement for the reporting year, that ended on the mentioned date and attached comments, including important reporting policies.

In our opinion, the submitted consolidated financial statement, envisaging all essential aspects, reflects the consolidated financial state of the Group as of December 31, 2019, as well as the consolidated financial results of its activity, consolidated movement of own capital and consolidated movement of funds for the reporting year, that ended on the mentioned date, in accordance with the international standards of financial reporting.

Grounds for consideration

We have conducted the audit in accordance with the Audit International Standards. Our responsibility envisaged under the mentioned standards, is described in the conclusion part – "Auditor's responsibility on financial statements audit". We are independent from the group, which implies the compliance with the requirements of "the Ethic's Code of Professional Accountants" issued by "International Council of Standards of Accountants' Ethics" and moreover, we carry out other ethic liabilities defined by this code.

We believe, that audit evidences obtained by us are enough and proper for the expression of our opinion for establishing the necessary grounds.

Responsibility on financial statements for persons with the right of management

The management is responsible for the preparing of the consolidated financial statement and fair presentation in accordance with the financial statement reporting international standards, as well as for the internal control, which is considered by the management necessary for the preparing of the financial statement, which does not include the essential inaccuracy caused by cheating or mistake.

For preparing the consolidated financial reporting the management is obliged to evaluate the continuity of the group activity and provide the issues related to the continuity of the activity. Also, the statement on the permission of the activity continuity shall be prepared, if it is not going to suspend or liquidate the group operations.

The persons authorized with the rights of management are responsible to perform supervision of the group's financial reporting process.

Responsibility of the auditor for the financial reporting audit

Our goal is to take the reasonable belief whether the given consolidated financial statement in general consists of cheating or the inaccuracy caused by the mistake or not and to issue the conclusion, which includes our opinion. Reasonable belief is the high level of the belief, but it does not represent the guarantee of the fact that the audit conducted in accordance with the audit international standards always is available to reveal the essential inaccuracies.

Inaccuracies may arise as a result of the cheating or mistake and are considered as essential, if the reasonable expectation exists of the fact that it can influence separately or together on the economic decision of the users, which may be taken on the basis of the present financial statement.

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According to Audit International Standards we use professional discussion and keep the professional skepticism. We also:

- Establish and evaluate the risks of making essential inaccuracies as a result of cheating or mistakes in the financial statement, plan and accomplish the auditory procedures with the purpose of the reaction on these risks and acquire auditory evidences, which are enough and proper for the expression of our opinions for creation of the needed grounds. The risk of non-establishment of the essential inaccuracy created as a result of the cheating is higher than the essential inaccuracy caused by mistake, as the cheating may include invisible bargains, counterfeits, deliberate skipping of the information, incorrect provision of the information or spurning of internal control;
- Study the internal control important for the audit in order to plan the auditory procedures proper for the specific circumstances and not for the purpose to express our opinion on the efficiency of the group's control;
- Evaluate the expediency of used accounting policies, as well as the reasonability of accounting estimates and explanatory notes presented by the management;
- Make a conclusion on advisability of using accounting basics of the current enterprise by the management, as well as make findings based on the received auditory evidences whether there is a substantial ambiguity in relation with the events and circumstances that may suspect the group's ability to continue functioning with the continuous functioning of the enterprise. If we conclude that there is substantial uncertainty, we will focus on the information in the financial statements of our auditors, or if such information is inadequate, we will change our conclusion. Our discussions are based on audit evidence obtained before the date of the conclusion of our auditors' report. In addition, the events that emerged in the future and created circumstances may force the group to stop functioning under the continuous functioning of the enterprise;
- Evaluate the general presentation of financial statements, its structure and content, including explanatory notes, and whether financial statements reflect the main transactions and developments in such a manner as to ensure the integrity of the entire document.
- Get enough audit evidence of group financial information and activities in order to express our views on financial statements. We are responsible for the direction, supervision and performance of the audit. We are only responsible for our audit.

Along with other issues we communicate with people with management rights on important issues that have been identified as a result of the audit scale, terms and audit, including internal deficiencies of the internal control.
Partner of the transaction is responsible for the audit results in this conclusion of the Independent Auditor:

Ivane Zhuzhunashvili (Registration N in the Registry: # SARAS-A-720718)

On behalf of BDO LLC

Tbilisi, Georgia

April 15, 2020

Signed

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JSC PSP Insurance and its Subsidiary Company
Full income consolidated reporting
For the reporting year that ended on December 31, 2019
(GEL)

	Note	2019	2018
Acquired premium		21,200,045	19,468,238
Share of the Reinsurer in the acquired premium		(1,949,892)	(1,025,732)
Net acquired premium		19,250,153	18,442,506
Change in unearned premium reserve		(2,815,820)	(921,284)
In the changes of unearned premium reserve Share of the Reinsurer		181,728	274,512
Net earned premium	5	16,616,061	17,795,734
Commission income	6	396,232	187,805
Total income		17,012,293	17,983,539
Insurance losses and change in insurance liabilities related to losses		(14,424,837)	(14,559,364)
Reinsurer's share in insurance liabilities related to insurance losses and changes		1,342,763	551,441
Net insurance losses	7	(13,082,074)	(14,007,923)
Acquisition costs of policies		(88,611)	(96,480)
Marketing and administration costs	8	(3,883,913)	(3,918,378)
Devaluation loss	9	(183,180)	(489,920)
Other income and costs, net		(17,437)	(24,055)
Percentage income, net	10	727,071	683,816
Profit earned from difference between exchange rate, net	11	330,037	155,945
Profit before tax		814,186	286,544
Profit tax benefit (costs)	11	(27,523)	-
Total full year income		786,663	544,235

Consolidated financial statements on behalf of the management are approved by the following persons on April 15, 2020:

Director General	signed	S. Lebanidze
Chief Accountant	Signed / sealed	N. Tkemaladze

The explanatory notes on pages 9-41 are an integral part of consolidated financial statements.

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	Note	31.12.2019	31.12.2018
Assets			
Fixed assets		175,588	220,145
The right to use assets	13	638,539	-
Intangible assets		8,170	12,246
Deferred income tax asset	12	230,168	257,691
Supplies		33,577	21,507
Deferred acquisition costs		54,838	48,160
Reinsurance assets	14	1,005,992	536,796
Pre-paid taxes		80,607	93,554
Requirements from insurance and reinsurance	15	11,124,657	6,294,621
Other assets	16	433,606	272,161
Deposits placed in banking institutions	17	11,410,647	10,523,297
Cash and cash equivalents	18	2,387,319	3,481,727
Total assets		27,583,708	21,761,905
Own capital			
Equity capital		22,450,000	22,450,000
Accumulated losses		(11,535,216)	(12,321,879)
		10,914,784	10,128,121
Liabilities			
Liability originated from insurance contracts	14	12,516,552	10,132,235
Other insurance liabilities	19	3,267,254	1,279,912
Deferred commission income	20	130,983	95,328
Leasing liabilities	13	687,421	-
Other liabilities	21	66,714	126,309
		16,668,924	11,633,784
Total own capital and liabilities		27,583,708	21,761,905

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The explanatory notes on pages 9-41 are an integral part of consolidated financial statements.

JSC PSP Insurance and its Subsidiary Company

Consolidated reporting of own capital movement

For the reporting year that ended on December 31, 2019

(in GEL)

	Equity capital	Acquired loss	Total
Balance as of December 31, 2017	22,450,000	(12,866,114)	9,583,886
Total full income for the reporting year	-	544,235	544,235
Balance as of December 31, 2018	22,450,000	(12,321,879)	10,128,121
Total full income for the reporting year	-	786,663	786,663
Balance as of December 31, 2019	22,450,000	(11,535,216)	10,914,784

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The explanatory notes on pages 9-41 are an integral part of consolidated financial statements.

	2019	2018
Cash Flows from operating activities		
Gained insurance premium	15,970,476	17,616,887
Gained interests	832,319	629,572
Income from regression and surviving property	89,220	40,715
Other earnings	68,876	53,784
Compensated losses	(13,393,458)	(16,297,048)
Paid salaries	(1,910,353)	(2,072,944)
Increase of deposits in banking institutions	(586,697)	(2,438,135)
Paid taxes, except the profit tax	(507,970)	(594,000)
Paid reinsurance premium	(121,693)	(37,712)
Commission fees paid to agents and brokers	(81,960)	(66,028)
Pension contributions	(78,955)	-
Paid leasing fee	(78,398)	(1,014,061)
Other operating costs	(1,107,665)	(953,623)
Net cash flows used in operating activities	(906,258)	(5,132,593)
Funds from investment activities		
Acquisition of fixed assets and intangible assets	(21,283)	(71,529)
Net cash flows gained (used) in investment activities	(21,283)	(71,529)
Funds from financial activities		
Payment of leasing liabilities	(120,832)	-
Paid interest for the leasing liabilities	(84,968)	
Net cash flows used in financial activities	(205,800)	-
Effect of currency exchange changes on cash and cash equivalents	38,933	19,986
Net reduction of cash and cash equivalents	(1,133,341)	(5,204,122)
Cash and cash equivalents, January 1	3,481,727	8,665,863
Cash and cash equivalents, December 31	2,387,319	3,481,727

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The explanatory notes on pages 9-41 are an integral part of consolidated financial statements.

1. General Information

PSP Insurance (hereinafter as Company) was registered on 22 August, 2007 in Tbilisi by the Tax Inspection, ID number #203545572, legal address: Pushkin str.3, Old Tbilisi district, Tbilisi, in accordance with the law of Georgia on Insurance, dated December 18, 2015, PSP Insurance changed legal form and became JSC "PSP Insurance". Company does not represent a taxpayer. As of 31 December, 2018 and 2019, a citizen of Georgia - Kakhaber Okriashvili is the founder and in charge of the company, who owns 100% shares of the company. Vazha Okriashvili is the share manager.

Main activity of the company is insurance service in addition to the reinsurance service.

"New Clinic" Ltd (hereinafter as – affiliated company) is a company that is owned by JSC "PSP Insurance" by 100%. The company was founded on 10 February, 2012, legal address: D. Agmashenebeli ave.15, Old Tbilisi District, Tbilisi, Georgia. Company ID number – 404415753. Main activity of "New Clinic" Ltd is medical service.

2. Grounds for Preparation

Consolidated financial statement has been prepared in accordance with the international financial reporting standards and interpretations (IFRSs) issued by International Accounting Standards Committee (IASC) and interpretations.

The consolidated financial statement is prepared on the assumption of the principle of a functioning enterprise - that is, the assumption that the group will continue to operate in the predictable future. The group's leadership and owners want to develop the group's activities in Georgia. No uncertainty is known to the leadership, which could jeopardize the continuity of the group's activities. The management believes that access to a functioning enterprise is appropriate for the group.

Financial timeline covers the fiscal year from 1 January to 31 December.

Consolidated financial statement is prepared based on the historical value.

Preparation of consolidated financial statement in accordance with IFRSs assumes that the group directors will provide certain evaluations that will affect financial value of assets and liabilities by the time when consolidated financial statement is being prepared, moreover, it will have an influence on the amount of income and expenses during the reporting period. The actual results may differ from the current assessment. Assessments will be reviewed periodically. The adjustments that led to the changes in the accounting estimates are attributed to the financial results of the period in which these changes occurred. Feedback on important financial evaluations are provided in note N 3.

Grounds for Consolidation

Affiliated companies are enterprises, structural entities that are controlled by the group (1) as far as it is authorized to carry out activities of enterprise it has invested in, which affects its profitability, (2) is capable and is authorized to change the revenue performance in the enterprise by its participation and (3) is capable of using its power over invested enterprise and have an influence on the profitability of the investor.

When assessed whether the group has control over the company it has invested in, existence of important rights is taken into account, one of which is the right of potential vote. Investor has the key right over the enterprise it has made investment in when it enjoys the practical right and is able to use it in the decision-making process regarding definition of directions of activities of the affiliated company. The group might affect the enterprise it has made investment in also in case when it owns less than majority votes.

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2. Grounds for Preparation

Results and balance of intra-group economic operations as well as unspent profit as a result of intra-group transactions is eliminated for the purpose of consolidation.

JSC "Insurance PSP" and its affiliated company "New Clinic" Ltd utilizes united accounting policy, which is in line with the group policy.

Acceptance of new IFRSs, changes in interpretations and standards

ა) New standards, interpretations and changes issued and valid since January 1, 2019:

The new standards that affect the group's 2019 consolidated financial statements and reflect its change in accounting policy are as follows:

- IFRS 16 „Leasing" (IFRS 16);

Amendments to this standard on consolidated financial statements are set out in Explanatory Note 25.

ბ) New standards, interpretations and amendments that have been issued but have not yet entered into force:

The group decided not to accept the new standards, interpretations and amendments issued by the IASB prematurely, although it has not yet entered into force. The most important of these innovations are listed below and they will take effect from January 1, 2020 and 2021:

- IFRS 17 - Insurance contracts
- IAS 1 – *submission of financial statements* and IAS 8 – *accounting policy, changes in accounting estimates and errors* (Amendment – essential definition)
- IFRS 3 - Association of Enterprises (Amendment - Definition of Business)
- Updated Conceptual Basics of Financial Reporting

IFRS 17 is valid for annual reporting periods starting January 1, 2023, and it is mandatory to submit comparable numerical data. It is permitted to use it before the due time in case the enterprise will additionally utilize IFRS 9 and IFRS 15, before using IFRS 17 for the first time or on the day of use. Retrospective use is mandatory. Nevertheless, in case it is impossible for the group to use it retrospectively, the enterprise must choose either a modified retrospective approach, or the fair value approach. The group plans to adopt new standard by the time it enters into force together with IFRS 9.

According to the changes carried out in IFRS 4, the group uses the allowed temporary exception regarding using IFRS 9 as a group, the main activity of which is insurance, which corresponds to IFRS 4 activity field. The assumption used is - a deferred approach. The use of this change is voluntary and the group may terminate the use until a new standard of insurance contracts enters into force. According to this approach, the group uses IAS 39 instead of using IFRS 9 for reporting periods that begin before January 1, 2023, because it has not previously used IFRS 9.

Currently, the group is assessing the expected impact of the application of the above standards on its financial statements.

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3. Basic accounting assessments and solutions

The group develops certain accounting assessments and decisions for the future periods. Accounting assessments and decisions are continuously reviewed based on the experience and other factors, which also takes into account expected events. Future experience may be different from assessments and assumptions.

The group carries out the reviews of the assessments and assumptions. The results of the revision of the accounting assessment shall be recognized in the period when the assessment has been revised, if the said relates only to that period; Or in review and future periods, if the review relates to both current and future periods.

Find below assessments and assumptions which carry essential risks of changes in the coming fiscal year in relation to balance value of assets and liabilities.

(a) Loss incurred from insurance contracts

Determination of final liabilities in relation to the loss incurred from non-life contract insurance represents the most important assessment made by the group. Certain disambiguation exists when assessing the final costs related to incurred loss.

For the purpose of non-life insurance contracts assessments have to be made in relation to revealed expected final loss by the date of reporting period, as well as unrevealed loss. Determination of final scope of the loss might be done after a significant period. For some type of policy, incurred but unrevealed reserve of the loss takes up the most part of insurance liability reflected in financial statement. Discontinuation of the losses as a result non-life contract does not occur.

(b) Analysis of the devaluation of claims arising from insurance

The group assesses the devaluation of claims arising from insurance contracts. Signs of devaluation may be a breach of the payment term, a deterioration in the creditor's credit rating. In case of signs of devaluation, the management evaluates the future cash flows of the demand portfolio, and if necessary the future cash flows of the individual demand.

(c) Court disputes

For each reporting period, the group shall review the proceedings of the current court disputes to assess the need for the deduction and explain it in the financial statements. When assessing the deduction, the group takes into account the progress of the lawsuit, the legal requirements, the expected amount of losses, the opinion of lawyers and specialists in the relevant field, the practical consequences of such disputes

Based on the uncertainties related to the next period, the actual result may differ significantly from the evaluation results recorded in the financial statements.

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4. Risks management

Risk management is an essential element of insurance activity. The risk is an innate phenomenon for the activity of the group, but it can be managed by regular activities such as identification, evaluation and daily monitoring of risks, resulting in a risk limit and the control mechanisms are established. Each person in the group is accountable for the risk associated with their responsibility. The main financial risks of the group are credit, liquidity and currency risks. The risk management policy of the group related to these risks is discussed below.

Capital management goals, policies and approaches

The group has developed the following goals, policy and approaches of capital management to manage those risks affecting capital position.

Capital management goals are:

- the Group could maintain the level of stability required to ensure the protection of insurance policy holders;
- to share capital effectively and help business development in order the repercussion could meet capital requirements for ownership requirements;
- to maintain financial flexibility for maintaining liquidity and access to different capital markets;
- Maintain financial strength in order to ensure new business growth and insurance policy holders, regulators and equity holders.

The activity of JSC "PSP Insurance" is subject to regulatory requirements within the jurisdiction in which it operates. Such regulatory rules define not only the direction of the activity and monitor it, but also set certain restrictive standards, such as capital adequacy standards, to minimize defaults of insurance companies and bankruptcy risks as a result of unforeseen liabilities.

The company's capital management policy is aimed at maintaining sufficient liquid assets to meet the requirements of the supervisory body.

The local insurance supervisor establishes the rule for determining the minimum amount of capital for insurance companies.

The amount of the insurer's supervisory capital, at all stages of the implementation of insurance activity shall exceed the minimum amount of the capital under the Order N 27, dated December 25, 2017, issued by the State Insurance Supervision Service, on "approval of the rule on determination of minimum capital amount on the territory of Georgia at all stages of the implementation of insurance activity".

The minimum amount of the capital defined by the Order N 27, dated December 25, 2017 on "approval of the rule on determination of minimum capital amount on the territory of Georgia at all stages of the implementation of insurance activity", at all stages of the implementation of insurance activity shall consist of:

a) Life insurance: 4,200,000 GEL – from December 31, 2018;

b) Insurance (not life) – except the insurance of obligatory form, insurance of the liabilities' accomplishment and insurance of credit liabilities: - 3,400,000 GEL – from December 31, 2018;

c) Insurance (not life) – including the insurance of obligatory form, insurance of the liabilities' accomplishment and insurance of credit liabilities: - 4,200,000 GEL – from December 31, 2018;

d) Reinsurance: - 4,200,000 – from December 31, 2018;

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4. Risk Management

The minimum amount of the insurer's capital at all stages of the insurance activity shall not be less than 1/3 of the amount received by the Service for the calculation of the insolvency margin for the insurer.

As of December 31, 2019 and December 31, JSC "PSP Insurance" meets the above-mentioned legislative requirements.

Management of insurance risks

The risk of the insurance contract is the risk of insurance case, including the volume of risk and declaring periods risks. The basic risk of a group is that the amount of actual loss and insurance amount may exceed the carrying value of insurance liabilities. This is caused by the fact that the frequency of the losses and their volume may be higher than the initially evaluated liability of the losses.

The group diversifies the portfolio of insurance contracts in order to neutralize risks, thus reducing the risk of unforeseen adverse effects on the portfolio. The risks are neutralized with the cautious selection and implementation of the underwriting strategy. The group establishes underwriting directives and restrictions, from which it is defined what risk can be obtained and with what restrictions. Monitoring of these restrictions is constantly being implemented.

The group uses "loss ratio" to monitor insurance risks. The coefficient is obtained by dividing net insurance losses on net insurance income.

The group's loss ratio is as follows:

	2019	2018
Loss ratio	77%	78%

The insurance implemented by the group includes medical, life, property, cargo, land transport, accident, travel insurance. Such types of insurance usually consist of 12 months. The essential risks for non-life insurance contracts represents the natural disasters, fires, etc.

The substantial risk for contracts for medical insurance is generated by lifestyle changes, as a result of massive diseases of insured individuals, and so on. The risks are significantly different by their origin place, species and industry. Hence, non-appropriate ratio of portfolio funds may have negative impact on group incomes.

The above-mentioned risk level is reduced by diversification of the portfolio of insurance contracts. The risk is also neutralized by careful selection and implementation of the underwriting strategy that ensures the risks dividing according to species and insurance funds. In addition, the strict policy of reviewing losses for the evaluation of all new and current losses, regular review of losses regulatory procedures and frequent investigation of possible scams represents risk reduction procedure of the group. The group also uses the policy of losses management and regulation in order to reduce the negative impact of future unforeseen events on its activity. The group also limits the risk level of certain contracts by imposing the maximum amount of losses in order to reduce the risk related to the catastrophic events.

The basics for indefiniteness at the evaluation of the losses to be compensated in future

The liability of paying the losses related to insurance transactions arises at the time of their actual occurrence. There are several variables which influence the volume and timing of cash flows generated from insurance transactions. This indefiniteness is mainly related to the inherent, internal risk of the insured sector, and risk management procedures adopted and implemented by the group.

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4. Risk Management

The estimated value of losses involves direct expenses incurred to cover losses that have been reduced by third parties' payable funds. The group tries to make sure that it has sufficient information on the occurrence of insurance losses. Nevertheless, as a rule, actual outcome differs from the initial liability evaluated by the group, taking into consideration the indefiniteness related to the reserves of insurance losses. The liabilities related to the insurance transactions include the reserve of occurred but undeclared losses, and the reserve of declared but uncontrolled losses.

Evaluation of the occurred but undeclared losses reserve, as a rule, is usually related to a number of indefinite criteria, unlike the assessment of the value of the losses, that the group has the information about.

At the end of each period the group tests the estimated losses for the adequacy: the group determines whether the losses assessed liabilities are less than the carrying value that would be required, if the relevant insurance liabilities would be applicable to the IAS 37 "Deductions, Conditional Liabilities and Conditional Assets", if the assessed liabilities deemed to be less than the deductions established in accordance with the IAS 37's requirements, then the group shall recognize the entire deficient amount for profit or loss and increase the carrying value of the relevant insurance liabilities.

Management of financial risks

The group has the following risks during the period of its activity:

- Credit risk
- Liquidity risk
- Currency risk

The group is faced with the risks posed by the use of financial instruments as part of its operations. This explanatory note describes the group's goals, policies, and procedures for risk management and risk assessment methods. Additional quantitative information on these risks is presented in the consolidated financial statements.

Financial instruments used by the group, that may be facing financial risk are as follows:

	31.12.2019	31.12.2018
Financial assets		
Reinsurance assets (except the share of insurer in the unearned premium reserve)	442,952	155,484
Other assets	63,772	12,676
Requirements from the insurance and reinsurance	11,124,657	6,294,621
Deposits placed in the bank institutions	11,410,647	10,523,297
Cash and cash equivalents	2,387,319	3,481,727
	25,429,347	20,467,805
Financial liabilities		
Other liabilities	66,714	126,309
Leasing liabilities	687,421	-
Other insurance liabilities	3,267,254	1,279,912
Liabilities originated from the insurance contracts (except the unearned premium reserve)	4,517,697	4,949,200
	8,539,086	6,355,421

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4. Risk Management

Real cost of the financial instruments

The real value is the price that is given when selling the asset or is paid for issuing the liability for the organized operation at the day of the evaluation between the market participants, or in case of absence of the mentioned, in accordance with the market, to which the group has access and is the most favorable for the given date. When possible, the group determines the actual value of the quoted price of the given instrument at the operated market. The market is deemed to be operational if the assets and liabilities are operated with sufficient frequency and volume to ensure the information on prices in constant mode.

If there is no quoted price on the operating market, the group determines the actual value using the assessment methods. The selected assessment method uses at maximum the observable market data, minimally based on non-market data and envisages all the factors that market participants would take into consideration when determining the price.

The best evidence for the actual value of a certain financial instrument at initial recognition is the price of the transaction, i.e. the actual value of the compensation amount paid or received.

If the group decides that the actual value of the initial recognition differs from the transaction price and the actual value is not confirmed by the quoted price existing at the operating market of the identical assets or liabilities, as well as, this value is not based on the evaluation of the method, the variables of which include only the observable market data, in this case the financial instrument shall be initially measured at the actual value, adjusted by the difference between this value and the transaction price. Any difference between this value and the initial value obtained by the evaluation method shall be later recognized in profit or loss during the vital period of the instrument, but no later than the assessment is fully based on the observable market data or when the transaction is closed. The group establishes the actual value using the following hierarchy which reflects the meaning of the data used in the assessment:

Level 1: Quoted market price (without adjustment) for a similar financial instrument on the operating market;

Level 2: The data except those in the first level and which are obvious both directly (prices) and indirectly (derivative from prices). This category includes instruments, that are evaluated using the following data: Market prices quoted at current markets for similar financial instruments; quoted prices for similar instruments that are less active; or other methods of assessment, in which all important data is directly or indirectly obvious, based on market data;

Level 3: non-obvious data. This category includes all the instruments in which the evaluation methods include the data that do not rely on visible data and the non-visible data makes significant influence on the instrument evaluation. This category includes the instruments that are evaluated based on the quoted prices for similar instruments, within which the significant non-obvious adjustments or permits are required to reflect the differences between the instruments.

The actual value evaluation used for financial instruments registered with amortized cost was based on the 2nd and 3rd hierarchy. The above hierarchies were made using the discounted cash flow method. Assessment of the actual value for financial instruments with unquoted fixed interest rate has been performed on the basis of expected future cash flows that are discounted from the current interest rate that is characteristic for a new financial instrument with a similar credit risk and maturity period. The actual value of cash and cash equivalents is estimated at the first level.

4. Risk Management

There was no change in the assessment methodology used for the 2nd and 3rd grade assessment hierarchy by the end of December 31, 2019 and 2018.

Credit risk

Credit risk represents the risk of financial losses of the group in case if the customer (insurer, reinsurer) or the other party related to the financial instruments does not perform the obligations under the contract. In general, the group's credit risk is linked to the sale of insurance products for customers of the Georgian market (postponing of the payment) and depends on the solvency of each user.

According to the internal policies of risk assessment, the group performs the evaluation of each new insurer before signing the agreement and offering the conditions. The customer's credit rating is the third party's assessment/characterization (if possible, to obtain this information), and in some cases the banking history.
During the monitoring of the consumer's credit risk the customers are being grouped according to their credit history, species (individual or legal entities), industry, etc. Groups of "high risk" are grouped separately and further cooperation with them is based on preliminary payments.

The Group creates an devaluation, which represents the best assessment of future losses. The main part of the total deductions comes to general reserves which are created by the group in accordance with the arrear's analysis. A small portion of the deductions is presented as a specific reserve that is calculated by analyzing each important counterpart.

Analyzing the maturity of the insurance requirements as of December 31, 2019 and 2018 are as follows:

	31.12.2019	31.12.2018
Individually evaluated requirements for devaluation	-	90,261
Mature, but without devaluation	2,281,906	713,138
Evaluated requirements is groups for devaluation		
Premature	8,060,120	5,027,547
From 0 up to 3 months	623,910	484,165
From 3 up to 6 months	167,734	113,782
From 6 up to 9 months	87,688	50,595
From 9 up to 12 months	78,288	33,220
More than 1-year delay	1,408,103	1,399,795
	12,707,749	7,912,503
Minus: devaluated reserve	(1,583,092)	(1,617,882)
	11,124,657	6,294,621

Liquidity risk

The risk of liquidity arises regarding the group's management of covering the working of capital and basic liabilities. The risk is that the group may encounter difficulties when the liabilities are paid in the period of their payment term.

The group controls these types of risks according to the maturity analysis and determines the group's strategy for the future financial period.

In order to manage liquidity risk, the group regularly monitors future cash flows, which is the asset/liability management process.

4. Risk Management

Liquidity analysis of financial instruments as of December 31, 2019 is represented as follows:

	Up to 1 year	Up to 1 - 5 years	More than 5 years	Total
Financial liabilities				
From insurance contracts				
Liabilities (except the unearned premium reserve)	4,517,697	-	-	4,517,697
Other insurance liabilities	3,267,254	-	-	3,267,254
Leasing liabilities	117,475	555,389	14,557	687,421
Other liabilities	66,714	-	-	66,714
	7,969,140	555,389	14,557	8,539,086

Liquidity analysis of financial instruments as of December 31, 2018 includes the liabilities of one-year maturity.

Currency risk

Currency risk is the risk of a change in the value of a financial instrument as a result of foreign currency fluctuations. Financial risk of the group and monetary movement can be faced with the currency risk. The group has certain operations in foreign currency. The group does not use derivatives to manage currency risk.

Currency risk analysis as of December 31, 2019:

	GEL	US Dollars	EUR	Total
Financial assets				
Reinsurance assets (except the share of the reinsurer in the unearned premium reserve)	442,952	-	-	442,952
Other assets	63,772	-	-	63,772
Requirements from insurance and reinsurance	8,254,056	2,788,885	81,716	11,124,657
Deposits placed in the banking institutions	6,591,510	4,819,137	-	11,410,647
Cash and cash equivalents	1,711,071	32,318	643,930	2,387,319
	17,063,361	7,640,340	725,646	25,429,347
Financial liabilities				
Liabilities originated from the insurance contracts (except the unearned premium reserve)	4,517,697	-	-	4,517,697
Other insurance liabilities	98,899	3,168,355	-	3,267,254
Leasing liabilities	687,421	-	-	687,421
Other liabilities	66,714	-	-	66,714
	5,370,731	3,168,355	-	8,539,086
	11,692,630	4,471,985	725,646	

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4. Risk Management

Currency risk analysis as of December 31, 2018:

	GEL	US Dollars	EUR	Total
Financial assets				
Reinsurance assets (except the share of the reinsurer in the unearned premium reserve)	155,484	-	-	155,484
Other assets	12,676	-	-	12,676
Requirements from insurance and reinsurance	5,240,704	1,017,337	36,580	6,294,621
Deposits placed in the banking institutions	6,062,549	4,460,748	-	10,523,297
Cash and cash equivalents	2,898,546	581,636	1,545	3,481,727
	14,369,959	6,059,721	38,125	20,467,805
Financial liabilities				
Liabilities originated from the insurance contracts (except the unearned premium reserve)	4,949,200	-	-	4,949,200
Other insurance liabilities	90,067	1,189,845	-	1,279,912
Other liabilities	126,309	-	-	126,309
	5,165,576	1,189,845	-	6,355,421
	9,204,383	4,869,876	38,125	

Sensitivity to the currency risk

The table below shows the group's sensitivity to the US dollar, EUR to GEL, within 20% increase and decrease terms. 20% represents a rate that will be provided to the group's management when providing information on currency risk, and by the management's estimation it represents a possible change of the exchange rate. The sensitivity analysis includes only balancing amounts of monetary items expressed in foreign currencies and corrects their effect for the reporting date by a 20% change.

The effect of overestimation of assets on net profits and equity is as follows:

	31.12.2019		31.12.2018	
	20%	– 20%	20%	– 20%
GEL/US Dollars	894,397	(894,397)	973,975	(973,975)
GEL/EUR	145,129	(145,129)	7,625	(7,625)

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5. Net earned bonus

The net earned premium in accordance with the types of insurance for the reporting year, that ended on December 31, 2019 is represented as follows:

	Total acquired premium	Share of the reinsurer in the acquired premium	Net acquired premium	Net change in the earned premium reserve	Net earned premium
Medical (health) insurance	14,861,633	(271,884)	14,589,749	(2,204,864)	12,384,885
Life insurance	589,639	-	589,639	(127,699)	461,940
Land transport vehicles insurance *	4,266,804	(1,495,573)	2,771,231	(50,816)	2,720,415
Property	134,932	(26,715)	108,217	(36,382)	71,835
Cargo	191,535	(154,660)	36,875	880	37,755
Travel insurance	590,134	-	590,134	(105,128)	485,006
Liability insurance	1,325	(1,060)	265	(218)	47
Accident insurance	564,043	-	564,043	(109,865)	454,178
	21,200,045	(1,949,892)	19,250,153	(2,634,092)	16,616,061

The net earned premium in accordance with the types of insurance for the reporting year, that ended on December 31, 2018 is represented as follows:

	Total acquired premium	Share of the reinsurer in the acquired premium	Net acquired premium	Net change in the earned premium reserve	Net earned premium
Medical (health) insurance	14,223,491	-	14,223,491	(599,102)	13,624,389
Life insurance	875,018	-	875,018	(7,792)	867,226
Land transport vehicles insurance *	3,142,330	(983,291)	2,159,039	38,204	2,197,243
Property	75,240	(2,253)	72,987	(62,315)	10,672
Cargo	62,663	(40,188)	22,475	(2,799)	19,676
Travel insurance	790,571	-	790,571	(12,897)	777,674
Accident insurance	298,925	-	298,925	(71)	298,854
	19,468,238	(1,025,732)	18,442,506	(646,772)	17,795,734

*JSC PSP Insurance represents the non-entrepreneurial (non-commercial) legal entity – participant insurer in the co-insurance system implemented by means of Mandatory Insurance Center. Acquired and earned insurance premium of the policies gained by the mandatory insurance, for the reporting year, that ended on December 31, 2019, consists of 2,261,523 and 2,238,008 GEL accordingly. Acquired and earned insurance premium of the policies gained by the mandatory insurance, for the reporting year, that ended on December 31, 2018 consists of 1,859,142 and 1,733,002 GEL accordingly.

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6. Commission income

Commission income is represented as follows:

	2019	2018
Commission income subject to deferral	431,887	256,433
Deferred commission income (note 20)	(130,983)	(95,328)
Amortization (note 20)	95,328	26,700
	396,232	187,805

7. Insurance net losses

Insurance net losses is represented as follows:

	2019	2018
Controlled losses	(14,962,941)	(16,878,211)
Changes in losses reserve	431,503	2,236,671
Regressions	106,601	82,176
Insurance losses and changes in the insurance liabilities related to the losses	(14,424,837)	(14,559,364)
Share of the reinsurer in the controlled losses	1,055,295	395,957
Shares of the reinsurer in the changes of losses reserves	287,468	155,484
Share of the reinsurer in the insurance losses and insurance net losses in the changes of the insurance liabilities related to the losses	1,342,763	551,441
Insurance net losses	(13,082,074)	(14,007,923)

8. Marketing and administrative expenses

Marketing and administrative expenses are represented as follows:

	2019	2018
Labor compensation and other benefits of the employees	(2,489,794)	(2,650,069)
Operational costs of the mandatory insurance center	(267,597)	(195,607)
Fees for the State Supervision Service of Insurance	(184,048)	(185,264)
Professional service	(217,196)	(245,534)
Depreciation and amortization	(202,192)	(51,883)
Advertisement	(125,383)	(75,630)
Lease	(79,339)	(187,231)
Office expenses	(69,082)	(89,435)
Communication expenses	(48,287)	(43,530)
Fuel	(34,456)	(32,135)
Representative expenses	(32,295)	(31,299)
Banking costs	(18,194)	(22,308)
Other costs	(116,050)	(108,453)
	(3,883,913)	(3,918,378)

* Service fee for the annual financial statement audit rendered for the audit company for the years that ended on December 31, 2019 and 2018 consists of 9,475 and 11,657 GEL accordingly.

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9. Devaluation loss

Reconciliation of the requirements' devaluation cost is represented as follows:

	2019	2018
Increased reserve depreciation of doubtful claims	(183,180)	(430,713)
Writing-off of the hopeless requirements	-	(59,207)
	(183,180)	(489,920)

Reconciliation of the requirements' devaluation reserve for the year, that ended on December 31, 2019 is represented as follows:

	Requirements from the owners of the policies	Requirements from regression	Other assets	Total
January 1	(570,703)	(1,047,179)	(111,877)	(1,729,759)
Reserve changing	71,150	(36,360)	(217,970)	(183,180)
December 31	(499,553)	(1,083,539)	(329,847)	(1,912,939)

Reconciliation of the requirements' devaluation reserve for the year, that ended on December 31, 2018 is represented as follows:

	Requirements from the owners of the policies	Requirements from regression	Other assets	Total
January 1	(342,285)	(956,761)	-	(1,299,046)
Reserve changing	(228,418)	(90,418)	(111,877)	(430,713)
December 31	(570,703)	(1,047,179)	(111,877)	(1,729,759)

10. Percentage income, net

Percentage income, net is represented as follows:

	2019	2018
Financial income		
Interest accrued on bank deposits and accounts	812,039	683,816
Financial costs		
Interest accrued on leasing liability	(84,968)	-
	727,071	683,816

11. Profit from exchange rate difference, net

Profit from exchange rate difference, net is represented as follows:

	2019	2018
Cash and cash equivalents	38,933	19,986
Other financial instruments	291,104	135,959
	330,037	155,945

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12. Taxation

The cost of profit tax is presented as follows:

	2019	2018
Current profit tax	-	-
Write-off of deferred asset recognized in the previous period	(157,077)	-
Effect of temporary difference	129,554	257,691
	(27,523)	257,691

Reconciliation of the profit tax cost is represented as follows:

	2019	2018
Profit before taxation *	475,814	201,881
Profit tax rate	15%	15%
Theoretical profit tax expense	(71,372)	(30,282)
Accumulated tax loss	63,686	63,686
Non-acknowledged deferred income tax asset	-	194,857
Effect of permanent differences	(19,837)	29,430
Profit tax cost	(27,523)	257,691

* It is an indicator of profit before the taxation of JSC PSP Insurance, as its subsidiary operates under the new model of profit tax, which entered into force on January 1, 2017. Given the specifics of the changes in Georgia's tax system, there are no temporary differences between the balance sheet and tax values of assets and liabilities for companies (non-financial sectors) registered in Georgia since January 1, 2017, which could lead to deferred tax assets or liabilities.

Reconstruction of deferred income tax liability is presented as follows:

	2019	2018
January 1	257,691	-
Profit tax (costs), benefits	(27,523)	257,691
December 31	230,168	257,691

As of December 31, 2019, the liability for deferred income tax under the temporary differences is as follows:

	Asset	Liability	Net amount	Recorded in profit-loss
Fixed assets	-	(22,955)	(22,955)	4,101
The right to use assets	-	(95,781)	(95,781)	(95,781)
Requirements from insurance and reinsurance	105,999	-	105,999	(136,683)
Other current assets	49,477	-	49,477	32,695
Liabilities originated from insurance contracts	-	(34,852)	(34,852)	3,551
Leasing liabilities	103,113	-	103,113	103,113
Other liabilities	(2,205)	-	(2,205)	(2,205)
Accumulated tax loss	127,372	-	127,372	63,686
Tax asset	383,756	(153,588)	230,168	(27,523)
Covering	(153,588)	153,588	-	-
Tax asset, net	230,168	-	230,168	(27,523)

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12. Taxation

Deferred income tax asset as of December 31, 2018, according to the temporary differences is as follows:

	Asset	Liability	Net amount	Recorded in profit-loss
	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Fixed assets	-	(27,056)	(27,056)	(27,056)
Requirements from insurance and reinsurance	242,682	-	242,682	242,682
Other current assets	16,782	-	16,782	16,782
Liabilities originated from insurance contracts	-	(38,403)	(38,403)	(38,403)
Accumulated tax loss	63,686	-	63,686	63,686
Tax asset	323,150	(65,459)	257,691	257,691
Covering	(65,459)	65,459	-	-
Tax asset, net	257,691	-	257,691	257,691

13. Leases

The group rents office space in Tbilisi. The lease of the office space is fixed, during the lease term and is defined in GEL. The lease term is estimated at 6 years.

The right to use the assets is as follows:	Buildings
January, 2019	764,153
Amortization	(125,614)
December 31, 2019	638,539

Lease liabilities are as follows:	Buildings
January, 2019	808,253
Interest rate	84,968
Payment	(205,800)
December 31, 2019	687,421

IFRS 16 was adopted on January 1, 2019, without recalculation of the comparable information. The requirements for the transition date (January 1, 2019) are explained in the explanatory note - 25. Explanatory Note 26 shows the accounting policies used by the group in relation to the leases in the reporting period after January 1, 2019.

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(In Gel)

14. Liabilities arising from insurance contracts and reinsurance assets

Liabilities arising from insurance contracts and reinsurance assets are represented as follows:

	31.12.2019	31.12.2018
Liabilities arising from insurance contracts		
Unearned premium reserve	7,998,855	5,183,035
Declared, but uncontrolled losses reserve	4,225,228	4,686,125
Occurred, but undeclared losses reserve	292,469	263,075
	12,516,552	10,132,235
Reinsurance assets		
Share of the reinsurer in the unearned premium reserve	563,040	381,312
Share of the reinsurer in the declared, but uncontrolled losses reserve	419,275	131,807
Share of the reinsurer in the occurred, but undeclared losses reserve	23,677	23,677
	1,005,992	536,796
Liabilities arising from the insurance contracts decreased by the reinsurer's share		
Unearned premium reserve	7,435,815	4,801,723
Declared, but uncontrolled losses reserve	3,805,953	4,554,318
Occurred, but undeclared losses reserve	268,792	239,398
	11,510,560	9,595,439

Analysis of the liabilities and reinsurance assets generated from insurance contracts is represented as follows:

a) Unearned premium reserve

	2019	2018
Unearned premium reserve, gross		
Balance at January 1	5,183,035	4,261,751
Acquired premium	21,200,045	19,468,238
Earned premium, gross	(18,384,225)	(18,546,954)
Balance at December 31	7,998,855	5,183,035
Share of the reinsurer in the unearned premium reserve		
Balance at January 1	381,312	106,800
Share of the reinsurer in the acquired premium	1,949,892	1,025,732
Share of the reinsurer in the earned premium	(1,768,164)	(751,220)
Balance at December 31	563,040	381,312
Unearned premium reserve, net		
Balance at January 1	4,801,723	4,154,951
Acquired premium	19,250,153	18,442,506
Earned premium	(16,616,061)	(17,795,734)
Balance at December 31	7,435,815	4,801,723

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14. **Liabilities arising from insurance contracts and reinsurance assets**

ბ) Reserve of losses

Reserve of losses, gross	2019	2018
Declared, but uncontrolled losses reserve as of January 1	4,686,125	6,997,980
Occurred, but undeclared losses reserve as of January 1	263,075	187,891
Total occurred losses reserve as of January 1	**4,949,200**	**7,185,871**
Regulation of losses of the past year (payment)	(2,414,140)	(3,854,909)
Change of evaluation of the losses of the past year	(842,954)	(1,829,111)
Evaluation of the expenses necessary for the regulation of the current year losses	15,374,392	16,470,651
Regulation of the current year losses	(12,548,801)	(13,023,302)
Total occurred losses reserve as of January 1	**4,517,697**	**4,949,200**
Declared, but uncontrolled losses reserve as of December 31	4,225,228	4,686,125
Occurred, but undeclared losses reserve as of December 31	292,469	263,075

Reserve of losses, share of the insurer	2019	2018
Declared, but uncontrolled losses reserve as of January 1	131,807	-
Occurred, but undeclared losses reserve as of January 1	23,677	-
Total occurred losses reserve as of January 1	**155,484**	-
Regulation of losses of the past year (payment)	(37,597)	-
Change of evaluation of the losses of the past year	(75,926)	-
Evaluation of the expenses necessary for the regulation of the current year losses	1,418,689	551,441
Regulation of the current year losses	(1,017,698)	(395,957)
Total occurred losses reserve as of December 31	**442,952**	**155,484**
Declared, but uncontrolled losses reserve as of December 31	419,275	131,807
Occurred, but undeclared losses reserve as of December 31	23,677	23,677

Reserve of losses, net	2019	2018
Declared, but uncontrolled losses reserve as of December 31	4,554,318	6,997,980
Occurred, but undeclared losses reserve as of December 31	239,398	187,891
Total occurred losses reserve as of January 1	**4,793,716**	**7,185,871**
Regulation of losses of the past year (payment)	(2,376,543)	(3,854,909)
Change of evaluation of the losses of the past year	(767,028)	(1,829,111)
Evaluation of the expenses necessary for the regulation of the current year losses	13,955,703	15,919,210
Regulation of the current year losses	(11,531,103)	(12,627,345)
Total occurred losses reserve as of December 31	**4,074,745**	**4,793,716**
Declared, but uncontrolled losses reserve as of December 31	3,805,953	4,554,318
Occurred, but undeclared losses reserve as of December 31	268,792	239,398

14. Liabilities arising from insurance contracts and reinsurance assets

Liabilities arising from insurance contracts – basic terms and permission

Insurance contracts include health, life, property, land transport, accident insurance, cargo, travel, critical illness and third party liability insurance. This type of insurance is mainly for 12 months.

Insurance reserves for insurance contracts (occurred, but undeclared losses reserve and declared, but uncontrolled losses reserve) are defined for covering the final value of the liabilities in relation to the losses, which are already occurred and evaluated based on the facts known at the reporting date.

Re-evaluation of the reserves is performed regularly, taking into account the tendency of losses, as well as their coverage. Discounting of the amount of insurance losses' reserves is not applied in relation to the time value.

Information about the occurred, but undeclared losses reserve calculation, including liabilities' adequacy test, is indicated in Explanatory Note 26 (review of significant accounting policies of the group, liabilities arising from insurance contracts).

15. Requirements from insurance and reinsurance

Requirements from insurance and reinsurance are represented as follows:

	31.12.2019	31.12.2018
Requirements from the owners of the policies	9,313,149	6,124,551
Requirements from regressions	1,108,850	1,071,137
Requirements of reinsurance*	2,281,906	713,138
Other	3,844	3,677
	12,707,749	7,912,503
Devaluation reserve on insurance requirements	(499,553)	(570,703)
Devaluation reserve on regressions	(1,083,539)	(1,047,179)
	11,124,657	6,294,621

* Reinsurance requirements include the insurer's participation in regulated insurance losses and the commission claim. Under the reinsurance agreement, these requirements are deemed to be incurred in connection with the obligations arising from the underlying reinsurance contract, based on the insurer's confirmation. By the end of 2019, the mature requirement has been evaluated by the group in 1.9 million GEL, which is not net based on the corresponding liabilities as it has not received confirmation from the insurer. Reporting by the group to the insurer is carried out quarterly.

The real value of requirements derived from insurance and reinsurance does not differ from their carrying value as of 31 December 2019 and 2018.

The Group creates doubtful debts' reserve for mature requirements. The qualitative information of requirements is given in Explanatory Note 4. Reconciliation of doubtful debts' reserve is given in Explanatory Note 9.

Additional information on insurance and reinsurance requirements is given in Explanatory Note 4.

16. Other assets

Other assets are represented as follows:

	31.12.2019	31.12.2018
Financial assets		
Amounts paid for participation in the tender	272,428	12,676
Minus: devaluation reserve	(208,656)	-
	63,772	12,676
Non-financial assets		
Pre-paid funds to the state supervision service of the insurance	119,211	117,994
Advanced payments paid to suppliers	360,843	243,350
Other current assets	10,971	10,018
	491,025	371,362
Minus: devaluation reserve	(121,191)	(111,877)
	369,834	259,485
	433,606	272,161

Reconciliation of doubtful debts' reserve is given in Explanatory Note 9.

17. Deposits placed in banking institutions

Deposits placed in banking institutions are represented as follows:

	31.12.2019	31.12.2018
Capital amount	11,356,265	10,448,509
Interest	54,382	74,788
	11,410,647	10,523,297

The real value of deposits placed in banking institutions as of December 31, 2019 and 2018 does not different from their balance value.

The additional information about the deposits placed in the banking institutions is given in Explanatory Note 4.

18. Cash and cash equivalents

Cash and cash equivalents are represented as follows:

	31.12.2019	31.12.2018
Cash in bank (GEL)	1,647,961	2,830,531
Cash in bank (foreign currency)	676,248	583,181
Cash in national currency	63,110	68,015
	2,387,319	3,481,727

Real value of the cash and cash equivalent as of December 31, 2019 and 2018 does not differ from their balance value.

The additional information about the cash and cash equivalents is given in Explanatory Note 4.

19. Other insurance liability

Other insurance liability is represented as follows:

	31.12.2019	31.12.2018
Liability against the insurer (Note 15)	3,168,355	1,189,845
Agent and broker service liability	98,899	90,067
	3,267,254	1,279,912

The real value of other insurance liabilities as of December 31, 2019 and 2018 does not differ from their carrying value.

The additional information about other insurance liabilities is given in Explanatory Note 4.

20. Delayed commission income

Delayed commission income is represented as follows

	31.12.2019	31.12.2018
1 იანვარი	95,328	26,700
Commission income subject to delay (Note 6)	431,887	256,433
Amortization	(396,232)	(187,805)
December 31	130,983	95,328

21. Other liabilities

Other liabilities are represented as follows:

	31.12.2019	31.12.2018
Financial liabilities		
Lease	-	44,100
Salary liabilities	15,919	23,205
Insurance liabilities	-	4,690
Others	50,795	54,314
	66,714	126,309

The real value of other liabilities as of December 31, 2019 and 2018 does not differ from their balance value.

The additional information about other liabilities is given in Explanatory Note 4.

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22. Operations with related parties

The related parties include owners, joint ownership companies, joint and liaison enterprises. When analyzing the relationship with the linked party, not only a legal form of communication is envisaged but its essence as well.

Operations reflected in the full income statement of 2019 are related to the parties concerned:

	Other related party	Supreme management	Article in financial statement
Acquired premium	2,483,049	-	21,200,045
Marketing and administrative expenses	(34,500)	-	(3,883,913)
Financial income, net	(84,968)	-	727,071
Labor compensation of supreme management	-	(209,400)	(3,883,913)

Operations reflected in the full income statement of 2018 are related to the parties concerned:

	Other related party	Supreme management	Article in financial statement
Acquired premium	2,020,127	-	19,468,238
Marketing and administrative expenses	(237,340)	-	(3,918,378)
Labor compensation of supreme management	-	(201,243)	(3,918,378)

The balance sheet reflected in the statement of financial condition as at December 31, 2019 is related to:

	Other related party	Article in financial statement
Leasing liabilities	687,421	687,421
Requirements from insurance and reinsurance	1,482,573	11,124,657

The balance sheet reflected in the statement of financial condition as at December 31, 2018 is related to:

	Other related party	Article in financial statement
Other liabilities	59,364	126,309
Liabilities originated from the insurance contracts	370,582	10,132,235
Requirements from insurance and reinsurance	1,146,185	6,294,621

The related parties are the companies under common control.

23. Conditional liabilities

Court Disputes - as of December 31, 2019 and 2018, the group has no substantive court disputes. The management believes that the material loss will not occur, and therefore the management of the group has not created the deduction regarding the court disputes.

Regulations of the State Insurance Supervision Service - The minimum amount of the capital defined by the Order N 27, dated December 25, 2017 on "approval of the rule on determination of minimum capital amount on the territory of Georgia at all stages of the implementation of insurance activity", at all stages of the implementation of insurance activity shall consist of:

ა) Life insurance: 7,200,000 GEL – from December 31, 2020;

ბ) Insurance (not life) – except the insurance of obligatory form, insurance of the liabilities' accomplishment and insurance of credit liabilities: - 3,400,000 GEL – from December 31, 2020;

გ) Insurance (not life) – including the insurance of obligatory form, insurance of the liabilities' accomplishment and insurance of credit liabilities: - 7,200,000 GEL – from December 31, 2020;

დ) Reinsurance: - 7,200,000 GEL – from December 31, 2020;

Taxes - different interpretations and changes may be performed in Georgian Tax Legislation. In addition, management tax interpretations may differ from interpretations of tax authorities, group operations can be appealed by the tax authorities and the group may be charged the additional taxes, fines, interest rates. The group believes that all taxes have been paid and therefore no deduction has been submitted to the consolidated financial statements. In 2015, JSC PSP Insurance extended the tax period by 15 years, ending in 2021.

Reporting of Administration - according to the Accounting, Reporting and Auditing Law (Paragraph 7), the group has an obligation to prepare and submit to the state regulatory body a consolidated report of administration, together with an independent auditor's report, no later than October 1 of the following reporting period. For the date of publication of this consolidated financial statement, the group has not fulfilled this obligation.

24. Events following the reporting period

At the end of 2019, a new Coronavirus (COVID-19) has been spread in China. Although the World Health Organization was notified of certain cases as of December 31, 2019, they assessed Coronavirus as a global threat only on January 31, 2020, as no significant development of the virus occurred until January 2020. Therefore, the coronavirus effect is a non-corrective event in terms of IFRS. The spread of Coronavirus will not affect the forecasts and assumptions used in the preparation of the financial statements as of December 31, 2019.

The World Health Organization has announced a pandemic due to the rapid spread of Coronavirus disease. A state of emergency was declared across the country on March 21, 2020 by the Georgian government to prevent the spread of the virus - COVID-19.

The effects of Coronavirus can be very widespread and affect many industries. Coronavirus may affect almost every sector of the enterprise due to further impact:

- Reduction of consumer demand for goods and services, lost income due to limitation of free movement of consumers;
- Lack of capital investment, reduction of construction, reduction of consumer demand for products and services;
- Reduction market prices on financial assets, including equity and debt instruments;
- Disruption of the global supply network due to limitation on the movement of people and goods.

Determining the exact effect of the virus on the date of approval of the financial statements is impossible for the group leadership because with the passage of time the development and effect of the virus is variable. However, the possible effects of the virus on the group's financial statements may be as follows:

- Reduction of the insurance premium received by the insurance contracts and the generated premium;
- Increased devaluation of claims arising from insurance contracts due to deteriorating solvency of contractors;
- The increase in medical losses, based on the devaluation of the Lari (GEL) exchange rate, the cost of medical services will increase due to the increase in prices for imported and locally used consumption supplies. In terms of non-medical losses, the group does not expect significant negative changes;
- Devaluation of long-term assets, which may be caused by a reduction in the actual value of future net cash flows expected from the use of the asset and the cost of sales;
- Devaluation of deferred profit tax assets, as the group may not have sufficient taxable profits in future reporting periods.

25. Change of accounting policy

The group uses IFRS 16 as of January 1, 2019. The group did not correct the comparable period information due to the transition to the new standard. The transition to the standard in this way implies the recognition of the effect of the change in accounting policy during the initial use of the standard (January 1, 2019) in the initial balance of capital.

IFRS 16 entered into force on January 1, 2019, replacing IAS 17 - "Lease" and IASC 4 - "How to determine whether a component contains a lease". According to IFRS 16, the lease is recognized as an asset and liability. IFRS 16 provides for a simplified approach to lease agreements the term of which is less than 12 months or that is related to low-value asset leases. The requirements of IFRS 16 for accounting of leasing agreements do not differ substantially from the requirements of IAS 17. The group does not have lease activities like the lessee.

Method of transition and Used Release

The group used a simplified approach of a practical nature: For the date of initial use of the standard, it is not obligatory to re-evaluate whether the contract is a lease agreement or whether it contains a lease. For contracts of IAS 17 and IASC 4 "How to Determine whether a Lease Agreement Contains" which were not classified as lease agreements did not apply to IFRS 16. According to IFRS 16, lease identification was used only for contracts that began or changed on or after January 1, 2019.

Releases are allowed under IFRS 16, some of which relate to the primary use of the standard. Earlier, the group used the following exemptions from IFRS 16 for a lease classified as an operating lease under IAS 17:

ა) It did not take into account the initial direct costs of assessing the right to use the assets on the date of initial use of the standard, for leases for which the right to use the assets was defined as defined in the case of the use of IFRS 16 for the start date of the lease;

ბ) It did not recognize the right to use assets in respect of leases whose lease expires 12 months after the date of initial use of the standard. Such leases are recorded as short-term leases.

As a lessee, the group in the old days classified leases as operating or financial leases, depending on whether the leased asset was transferred to substantial risk and benefit. According to IFRS 16, in the case of most leases, the group recognizes the asset and lease liability as a right of use.

Classification under IAS 17	The right to use assets	Leasing liabilities
Operating lease	For office leases: The right to use the assets is recognized by pre-paid amounts corrected by the amount of lease liabilities and accrued liabilities.	Recognized as a discounted value at future loan rate for future lease payments as of January 1, 2019. A marginal loan rate is an interest rate that a lessee would have to pay in a similar economic environment to use a loan required to acquire an asset of similar value to the value of the right to use the asset, which would have a similar maturity and guarantee. 11.75% per annum is taken as a marginal loan rate.

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25. Change of accounting policy

The table below lists the financial statements that were affected by the introduction of IFRS-16:

		December 31, 2018		
		Initially submitted	IFRS 16	January 1, 2019
Assets				
The right to use assets	(a)	-	764,153	764,153
Other assets (paid advance payments)	(b)	44,100	(44,100)	-
Liabilities				
Leasing liabilities	(c)	-	808,253	808,253

a) The right to use the asset increased by 764,153 GEL from the contracts classified as operating lease during the previous period.

b) Adjustment of the right to use assets with advance payments on the operating lease in the previous period with a total amount of GEL 44,100.

c) The table below is a summary of the amounts from the minimum rental payments as of December 31, 2018, according to IFRS16 to the January 1, 2019 lease obligation.

	01.01.2019
Minimum rent payments as of December 31, 2018	1,094,526
Minus: Short-term lease effect	(21,426)
Rent payments not discounted	1,073,100
Minus: discount effect	(308,947)
Lease obligation under IAS 17 from the operating lease	764,153
Minus: Pre-payments according to IAS 17 from the operating lease	44,100
Lease liability as of January 1, 2019	808,253

The group assessed the effect of the change in accounting policy on the deferred income tax liability, however, for the date of transition to the requirements of the standard, it did not have a significant impact, therefore, the group did not adjust the balance.

The important accounting policies used in the process of preparing financial statements are given below.

26. An overview of the group's important accounting policies

26.1 Currency for evaluation and submission

The articles reflected in the consolidated financial statements are presented in the currency of the country where the group operates (operating currency). Thus, the given consolidated financial statements are presented in Georgian lari, which is the functional and presentation currency of the group.

Monetary assets and liabilities denominated in foreign currency shall be recalculated at the end of the year in accordance with the official exchange rate established by the National Bank of Georgia. The differences between the exchange rates during conversion are reflected in profit and loss accounts. The results expressed in foreign currency are recorded in accordance with the current exchange rate.

The differences between the exchange rates generated during the conversion of monetary articles are reflected in the profit and loss article "Profit / Loss from exchange rate difference, net".

Non-monetary articles received in foreign currency are valued at the rate of the day of the transaction.

The last exchange rate used for converting monetary balances in foreign currency on December 31, 2019 and December 31, 2018 was as follows:

	31.12.2019	31.12.2018
GEL/1 US Dollars	2.8677	2.6766
GEL/1 EUR	3.2095	3.0701

26.2 Insurance and investment contracts - classification

The group concludes contracts that carry insurance or financial risk, or both. An insurance contract is a contract in which the insurer assumes a significant insurance risk for the policyholder. Such an agreement may also carry financial risks. The essence of insurance risk depends on the probability of an insurance accident, as well as the volume of its potential effect.

26.3 Liability adequacy test

At the end of each reporting year, the group conducts an adequacy test to assess the adequacy of recognized insurance liabilities, which is reduced by the deferred costs of the acquisition and the insurance contracts acquired during the transfer of the enterprise union or insurance portfolio. For the adequacy test, the group uses the current estimates of the future cash flows, losses and administrative costs provided for in its insurance contracts, as well as the investment income received from the assets required to secure the insurance liabilities. Any devaluation in the carrying amount of insurance liabilities arising from these assessments shall be recognized as follows: the deferred costs of the relevant acquisition are initially deducted and the insurance contracts purchased during the merger or transfer of the insurance contract portfolio are written off.

26.4 Deferred costs of attraction

Fees and other costs associated with attracting new contracts and renewing existing contracts are classified as intangible assets. All other expenses are recognized as expenses for the current period. The deferral of withdrawal costs is amortized in proportion to the production of the insurance premium during the term of the contract;

The expected profit margin depends on past experience and expected outcomes, which are reviewed and analyzed by the end of each reporting period. Changes in the balance sheet cost of deferred acquisition costs are reflected in the profit of the reporting period.

26. An overview of the group's important accounting policies

26.5 Reinsurance contracts

A contract concluded with another insurer (reinsurer) through which the insurer reimburses the group for the loss of one or more contracts and satisfies the criteria for classification as an insurance contract is classified as a reinsurance contract.

The benefits that the group has the right to receive in accordance with the reinsurance contracts owned by it are classified as reinsurance assets. These types of assets consist of short-term claims, which are determined by the expected losses and benefits arising from the relevant reinsured contracts.

Remuneration from the insurer shall be assessed in proportion to the amounts receivable from the relevant insured contracts and in accordance with the terms of each of these contracts. The liability to reinsure is a premium payable on reinsurance contracts and is recognized as an expense when the payment term expires.

The group annually assesses the devaluation of reinsurance assets. If objective evidence of asset depreciation is found, the group reduces its carrying amount to a reimbursable value and acknowledges the devaluation loss in the full income statement. The group obtains evidence of devaluation of assets on the same principle as it uses in the case of devaluation of depreciated financial assets.

26.6 Requirements and liabilities related to insurance contracts

Recognition of requirements and liabilities, such as receivables from agents, brokers and policyholders, or amounts payable to them, shall take effect from the moment of their origin.

If there is objective evidence of devaluation of insurance requirements, the group reduces the carrying amount of the insurance requirement and acknowledges the devaluation loss. The group obtains evidence of devaluation of insurance requirements on the same principle as it uses in the case of devaluation of depreciated financial assets. The devaluation loss is calculated in the same way as it is performed for financial assets.

(i) Regression and Surviving Property

Some types of insurance contracts allow the group to sell (usually spoiled) property as a result of covering losses (surviving property). The group may also have the right to claim full or partial damages (regression) from a third party.

Remuneration derived from the surviving property is reflected in the reduction of the liability for insurance losses, and when the liability is covered, it is recognized as another asset. The amount of the reduction of the liability for insurance losses is the amount that can be obtained from the sale of the relevant property under reasonable conditions.

Regress is also reviewed as a reduction in liabilities related to insurance losses, and is recognized in other assets if liabilities are covered. The amount of the reduction of the liability related to the insurance losses is the amount that can be obtained from the third parties in reasonable conditions.

26. An overview of the group's important accounting policies

26.7 Liabilities for insurance losses

Reserves are created for losses and insurance losses related to expenses that occurred but have not yet been settled by the group. Insurance losses are divided into two categories: declared but unregulated losses and reserves of unreported losses.

(i) Reserve for declared but unregulated losses

The Group carries out the formation of a declared but unregulated loss reserve in the presence of known requirements against the Insurer for the reporting date, which is confirmed by the relevant applications.

The amount of the declared but unresolved loss reserve for the reporting date is the unpaid amounts of insurance premiums on the well-known claims of the insurers, for which no decision has been made on the dissatisfaction with the full or partial repayment of the insurance funds.

The amount of the declared but unregulated loss reserve is reflected in the group balance as a liability.

(ii) Reserve for losses incurred but not reported

The reserve of lost but unreported losses was calculated based on the group's past experience. The amount of reserves but not declared in the group's financial statements is reflected as a liability.

26.8 Financial instruments

Financial assets

The group divides financial assets into the following categories based on the nature and purpose of the asset acquired:

- Loans and requirements
- Investments owned before the due date
- Accounted for at fair value, reflected in profit or loss
- Financial assets for sale

In the Financial Reporting Group, the category of loans and claims is represented by insurance and reinsurance requirements, reinsurance assets (excluding the insured's share in the unprocessed premium reserve), other financial assets and money and cash equivalents. Money and cash equivalents include cash and money on current bank accounts.

The mentioned assets are non-produced financial assets that have fixed or defined payments or their price in the active market is not quoted. These types of financial assets usually arise from the supply of goods and services to customers, or the issuance of loans, but also include other types of contractual monetary assets. Initial recognition of loans and receivables is the actual cost of added transaction costs, which is the direct cost of purchasing, issuing or selling a financial asset, and subsequent recognition is the devaluation value decreased by the devaluation reserve at the effective interest rate method.

At the end of each reporting period, financial assets are assessed to identify possible depreciation marks. Financial assets are considered depreciated when there is objective evidence that the event/events after the initial recognition of the financial asset affected future cash flows expected from the investment. The amount of depreciation reserve is the difference between the current and balance sheet values of future cash flows related to depreciated claims.

26. An overview of the group's important accounting policies

Devaluation reserves are reflected in a separate article, and the corresponding loss is recognized in the full income statement. If it is not possible to withdraw financial assets, the total value of the asset is reduced by the corresponding reserve.

The Group shall terminate the recognition of the financial asset only if: (a) the contractual rights for the receipt of cash receivable from the financial asset have expired; Either (b) it transfers the right to receive cash flows related to the financial asset, or enters into a transaction when: (i) with the withdrawal of the asset, all substantial risks and benefits are removed; Or (ii) the group does not transfer substantial risk and benefit related to the ownership of the asset, but also does not retain control over that asset. Control is maintained if the counterparty does not have the right to sell the asset to a third party without taking into account additional sales restrictions.

Early repayment investments are unproductive financial assets, with fixed or defined payments and fixed repayment periods, which the enterprise has the desire and potential to repay in advance, in addition to:

(a) which the group determines at the initial acknowledgment by accounting for fair value in profit or loss;

(b) Which the group considers to be for sale; and

(c) To which the definition applies - loans and requirements.

Early repayment investments in financial statements are presented in the form of deposits in banking institutions.

Financial liabilities

The group classifies financial liabilities into two types, depending on their nature. The group's policy on the financial liability of each species is as follows:

(a) Financial liability recorded at fair value, reflected in profit or loss

A financial liability recorded at fair value, in profit or loss, is a financial liability that meets one of the following conditions:

(i) It is classified as being traded;

(ii) When initially recognized by the group, it is classified for real value accounting, profit or loss.

During the current period, the group has no real financial liability, reflected in profit or loss.

(b) Other financial liabilities

Other financial liabilities include liabilities arising from insurance contracts (other than unearned premium reserves), other insurance liabilities, lease liabilities, and other liabilities that are initially recognized at fair value and subsequently depreciated at an effective interest rate.

26. An overview of the group's important accounting policies

26.9 Taxation

The tax expense consists of the cost of current and deferred taxes. The tax is recognized in the full income statement, unless its origin is related to other full income, or to the recognized amounts in the capital. In such a case, the tax is recognized accordingly - in other full income.

The current profit tax is calculated according to the legislation of the country in which the group operates for the reporting date. Management periodically revises its tax approach in accordance with various interpretations of the legislation. The group creates deductions on the amounts expected to be paid to the tax authorities.

Deferred income tax is recognized based on the temporary differences between the tax and financial bases of assets and liabilities. However, a deferred income tax is not recognized if it arises as a result of an initial recognition of an asset or liability that does not affect either the tax or financial base at the time of the transaction, unless it is related to a business combination.

Deferred income tax is calculated using the profit tax rate available for the reporting date, which is expected to be affected when the relevant deferred tax asset is realized and the liability is settled.

Deferred tax assets are recognized only if future taxable profits are expected to be deducted from the temporary differences over the current period.

Deferred tax asset and liability will be extinguished if there is a legal right to cover the current tax liability of the current tax asset, and when the deferred tax asset and liability arises as a result of the same tax law in which the asset and liability can be presented in net amount.

26.10 Leases

The group moved to IFRS 16 on January 1, 2019. The group did not correct the comparable period information for the new standard due to the transition, and therefore the consolidated financial statements for the comparable period have not been recalculated. For more information on the effect of switching to a given standard, see the explanatory note 25. The accounting policy below is relevant for the reporting period starting January 1, 2019.

Lease identification

At the beginning of the contract, the group assesses whether the contract is a lease or contains a lease. A contract is a lease agreement, or contains a lease, if the contract transfers the right to control the identified asset over a period of time in exchange for a refund. To determine whether this or that contract transfers the right to control the use of an identified asset over a period of time, the group assesses whether the customer has both of the following rights during the period of use:

- From the asset identified in the contract, the right to receive virtually all benefits and

- The right to determine the rules of use of the identified asset

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26. An overview of the group's important accounting policies

Initial recognition

For the start date of the lease, the group recognizes the right to use the assets and the lease liability, except the

- Lease, the leased asset of which has a low value, and
- Lease with a term of less than 12 months.

The lease is recognized in the group financial statements as:

- An asset that represents the right to use the object of the lease during the term of the lease and

- Obligation to pay rent.

For the start date of the lease term, the lease liability is assessed according to the current value of the lease payments that have not been made for that date. Discounting of lease payments should be made at the interest rate implied in the lease, if this rate can be easily determined. If it is not possible to easily determine this rate, the marginal loan rate of the lessee specified for the start date of the lease term shall be applied. Variable rent payments in the assessment of a lease liability shall be calculated to the extent that they depend on the index or rate that was originally assessed using the index or rate available for the start date of the lease. Other variable lease payments are recognized at the expense of the period to which they belong.

For the start date of the lease term, the lease payments provided for in the lease liability assessment shall also include the following payments related to the right to use the lease asset during the lease term which are not made for the start date of the lease term:

- The amounts that the lessee is expected to pay according to the residual value guarantees;
- The price of the right to choose if it is sufficiently credible that the lessee will exercise that right
- Payment of fines for early termination of the lease, if the term of the lease reflects the right of the lessee to use the right to terminate the lease prematurely.

For the start date of the lease, the group evaluates the right to use the asset with the cost that includes:

- Initial assessment of lease liability,
- Lease payments that have already been made for the date of commencement of the lease term, or before that date, excluding incentive lease payments received;
- The initial direct costs incurred by the lessee; and
- Assess the costs incurred by the lessee during the dismantling and liquidation of the leased asset 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 agreement.

Further assessment

After the start date of the lease term, the lease liability increases with the reflection of interest and decreases with the lease payments made. The right to use the asset is reduced by accumulated depreciation and excluding accumulated devaluation. If under the lease agreement the right to own the leased asset is transferred to the lessee at the end of the lease term, or the cost of the right to use the asset reflects the lessee's intention to use the lease option, the asset is depreciated. In other cases, the right to use the asset is depreciated between two dates from the date of commencement of the lease term to an earlier date: the expiry of the useful life of the right to use the asset and the expiration date of the lease.

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26. An overview of the group's important accounting policies

After the start date of the lease, the group re-evaluates the lease liability to reflect changes in lease payments. The amount received as a result of the revaluation of the lease liability is recognized as an adjustment of the right to use the asset. However, if the carrying amount of the right to use the asset is reduced to zero and the asset liability is devaluated at the same time, the remainder of the revaluation amount is recognized as profit/loss. Lease liabilities are re-evaluated using the reimbursed lease payments and the recalculated discount rate, in any of the following cases if: the lease term has changed, or the right to choose to lease the leased asset has changed.

If the amounts expected to be paid under the terms of the residual value guarantee are changed or future lease payments are changed due to a change in the index or rate used to determine these payments, the lease is revalued using the discount rate specified at the beginning of the lease. Unless the change in lease payments is caused by a change in variable interest rates.

Lease modification is accounted for as a separate lease if the area of lease use increases as a result of the modification and the lease pay increases with the appropriate reimbursement of the area of increased use.

In the case of a lease modification that is not recorded as a separate lease, the lessee re-evaluates the lease liability for the date of entry into force of the lease modification on the basis of the discounted rate. In such a case, the revaluation of the lease liability is recorded as follows:

- The carrying amount of the right to use the asset is reduced in order to reflect the partial or full termination of the lease, in the event of a modification of the lease, which reduces the scope of the lease. A profit/loss is any income or loss related to the partial or complete termination of a lease;
- The right to use the asset is adjusted taking into account all other modifications of the lease;

The group does not separate non-public components from lease components and instead records each lease component and its non-public component as one lease component.

Determining the lease term

The lease term is the non-cancellation period of the lease, during which the lessee has the right to use the leased asset, along with the following periods: a) periods including the right to choose to lease (including those established by business practice) if the lessee is confident that he will exercise this right; and (b) the periods which include the right to choose to terminate the lease prematurely, if it is sufficiently credible that the lessee will not exercise that right.

Leadership uses reasoning to determine the term of a lease. To assess whether it is sufficiently credible that the lessee will exercise the right to extend the lease, or not to exercise the right to terminate the lease, the group considers all relevant facts and circumstances that give the lessee economic incentive to use or not to lease the lease.

Marginal loan rate

The marginal loan rate is the interest rate that a lessee would have to pay in a similar economic environment for the use of a loan required to acquire an asset of similar value to the value of the right to use the asset, which would have a similar maturity and collateral. Leadership uses reasoning to determine the marginal loan rate. Using observational data, the basic rate is determined, which is adjusted by the specific factors characteristic of the lessee and the characteristics of the security (lease object).

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26. An overview of the group's important accounting policies

Determining lease payments

In Georgia, a lease agreement often does not include a record (or includes an incomplete record) of a lease renewal/ extension. The existence of such a right is reinforced by the accepted business practice. The group considers such business practices as an integral part of the contract. For such cases, the lease payments assessed in determining the lease liability are unchanged for the entire lease term, including the renewable period.

Short-term lease and lease the lease asset of which has a low cost

The group decided to use the release in connection with the short-term lease and the lease of the low-value leased asset. Lease payments related to this lease are recorded as an expense during the lease term, in a linear manner. Another systematic basis is used if this basis more adequately reflects the tenant's benefit structure/model.

26.11 Costs

Expenses are recognized in the full income statement if there is a reduction in future economic benefits associated with a reduction in assets or an increase in liabilities that can be reliably determined.

Expenditures will be recognized on profit and loss statements as soon as they are made, if economic benefits from expenditures are no longer expected in the future, or if future economic benefits no longer meet the criteria for active recognition in the balance sheet.

If the economic benefits are expected to arise over several accounting periods, the costs associated with it are recognized in the full income statement on the basis of a reasonable distribution.

26.12 Salary payments

Salaries, bonuses and non-monetary benefits are recognized by crediting in the period when the group received the relevant services from the employee.

26.13 Subsequent events of the reporting period

Subsequent events of the reporting period and events prior to the date of approval of the financial statements, which provide additional information about the financial condition of the group, shall be reflected in the financial statements. Subsequent events of the reporting period that do not affect the financial position of the group for the date of compiling the financial statements, but are essential, are reflected in the attached explanatory notes to the financial statements.

ELISO ARJEVANIDZE TRANSLATOR 62007007462

Translator: E. Arjevanidze

ორიათას ოცი წლის 16 ივნისს მე, ნოტარიუსს მარიკა გოგოლაძეს ქალაქ თბილისში, ამ სანოტარო ბიუროში, რომელიც მდებარეობს მისამართზე: ქ. თბილისი, დავით აღმაშენებლის გამზირი №183, მომმართა მოქ. **ელისო არჯევანიძე** (დაბ. 25.08.1983 წ. ქ. გაგრაში) **უმაღლესი განათლების დიპლომის მქონე ინგლისური ენის მთარგმნელმა, რეგისტრირებული:** გაგრა, ს. ხეივანი, ჭავჭავაძის ქ. 11, **მისი განცხადებით ამჟამად მცხოვრები: თბილისი, მუხიანი, მ/რ, კორპ. 17, ბ. 78, ID ბარათი 17IA35885, პირადი № 62007007462, გაც. იუსტიციის სამინისტროს მიერ 17.05.2017 წ.)** და წარმოადგინა დოკუმენტის თარგმანი და მოითხოვა თარგმანზე თავისი ხელმოწერის ნამდვილობის სანოტარო წესით დამოწმება.

მე დავადგინე მოქ. ე. არჯევანიძის პირადობა წარმოდგენილი პირადობის დამადასტურებელი დოკუმენტის საფუძველზე და ასევე შევამოწმე მისი უფლებაუნარიანობა **(დიპლომი სუ№ 004691, გაც. ივ. ჯავახიშვილის სახელობის თბილისის სახელმწიფო უნივერსიტეტის სოხუმის ფილიალი, 2004 წ.)** და ვადასტურებ, რომ იგი ნამდვილად უფლებამოსილია თარგმნოს.

მან ჩემი თანდასწრებით პირადად მოაწერა ხელი დოკუმენტის თარგმანს. თარჯიმანი გაფრთხილებულია არასწორი თარგმნის შემთხვევაში პასუხისმგებლობის შესახებ.

On the 16 of June, two thousand and twenty, before me, Marika Gogoladze, the Notary in c. Tbilisi, at my Notary Public Office located at the address: 183, David Aghmashenebeli Ave., Tbilisi, appeared the citizen **Eliso Arjevanidze (born on 25.08.1983 in Gagra), English language Translator with Higher Education Diploma, registered at: N 11, Chavchavadze Str., v. Kheivani, Gagra, as she declared residing at: fl.78, bl.17, I m/r, Mukhiani, Tbilisi, Identity Card # 17IA35885, Personal # 62007007462, issued by Ministry of Justice on 17.05.2017)** and submitted the translation of the document and asked to notarize the authenticity of her signature.

I identified **Eliso Arjevanidze's** identity on the basis of the submitted Identity Card, as well as I checked her capability **(Diploma SU # 004691, issued by Sokhumi Branch of Iv.Javakhishvili Tbilisi State University in 2004)** and confirm that she is really competent to translate.

She personally put her signature on the translation of the document in my presence. Translator is warned about the responsibilities in case of the incorrect translation.

სანოტარო მოქმედების შესრულებისათვის გადახდილია თარჯიმნის ხელმოწერის ნამდვილობის დადასტურებისათვის 82+18%+2 ლარი.

Duty paid for the notary service implementation – notarization of the Translator's signature authenticity 82+18%+2 GEL.

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