PKF

JSC Hualing Insurance

Financial statements as at 31, December 2017

Independent Auditors Report

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Financial Statements
As at 31 December, 2017

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management of JSC Hualing Insurance is responsible for accompanying financial statements.

This responsibility includes:

* Preparation of financial statements in accordance with International Financial Reporting Standards;
* Selection of suitable accounting policies and their consistent application;
* Making judgments and estimates which are reasonable and prudent;
* Preparation of the financial statements on the going concern basis, unless circumstances make this inappropriate.

Management is also responsible for:

* Creation, implementation and maintaining effective internal control system;
* keeping proper accounting records in compliance with local regulations;
* taking such steps as are reasonably open to them to safeguard the assets of the Company, and prevention and detection of fraud and other irregularities.

The financial statement as at 31, December 2017 were approved by the management and signed on its behalf:

David Kakabadze
Genaral Director

Lia Aslanikashvili
Deputy General Director

Date: 30.03.2018

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF JSC Hualing Insurance

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JSC Hualing Insurance (the Company) which comprise the statement of financial position as at 31, December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Management's responsibility for the financial statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PKF Georgia LLC

Date: 30.03.2018

PKF Georgia LLC

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JSC Hualing Insurance
Statement of financial position
As at 31, December 2017

In thousands of Georgian Lari	Note	2017
Assets		
Cash and Cash equivalents	5	4,307
Total Assets		**4,307**
Liabilities		
Tax liabilities	9	1
Total liabilities		**1**
Equity		
Share capital	6	4,300
Retained earnings		6
Total Equity		**4,306**
Total liabilities and owners' equity		**4,307**

JSC Hualing Insurance
Statement of Profit and Loss
As at 31, December 2017

In thousands of Georgian Lari	**Note**	**2017**
Interest income	**7**	8
Total Income		**8**
Administrative expenses	**8**	1
Total expenses		**1**
Profit before tax		**7**
Income tax expense	**9**	1
Profit for the year		**6**

JSC Hualing Insurance
Statement of Equity
As at 31, December 2017

In thousands of Georgian Lari	**Share Capital**	**Retained Earnings**	**TOTAL**
At 31 December 2016	**-**	**-**	**-**
Increase in share capital	4,300	-	**4,300**
Profit for the year	-	6	**6**
At 31 December 2017	**4,300**	**6**	**4,306**

JSC Hualing Insurance
Statement of Cash flow
As at 31, December 2017

In thousands of Georgian Lari	**2017**
Cash flows from operating activities	
Interest received	8
Administrative and other operating expenses paid	(1)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	**7**
Net (increase)/decrease in:	
- due from banks	8
- other liabilities	(1)
Net cash from/(used in) operating activities	**7**
Cash flows from investing activities	-
Net cash from/(used in) investing activities	-
Cash flows from financing activities	
Issue of ordinary shares	4,300
Net cash from/(used in) financing activities	**4,300**
Effect of exchange rate changes on cash and cash equivalents	**-**
Net increase/(decrease) in cash and cash equivalents	**4,307**
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	**4,307**

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2017 for JSC Hualing Insurance (the “Company”).

JSC “Hualing Insurance” was incorporated in 11 December 2017 and is domiciled in Georgia. The Company is a joint stock company limited by shares and was set up in accordance with Georgian regulations. As of 31 December 2017, the Company’s immediate parent company was JSC “Basis bank” incorporated in Georgia.

Shareholders	2017	2016
JSC “Basis bank”	100 %	0 %

Principal activity

The Company’s principal business activity is insurance business operations within Georgia. The Company has a life and non-life licenses issued by the Insurance State Supervision Service of Georgia since 27 December 2017.

The Company has 1 branch in Georgia and 6 employees at 31 December 2017.

Registered address and place of business

The Company’s registered address is: 1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and Interpretations issued by the International Accounting Standards Board. The Company maintains its accounting records in accordance with Georgian accounting and tax legislation. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS.

These financial statements have been prepared on the assumption that the Company will continue as going concern in the foreseeable future.

The Company’s financial year-end is on December 31.

The financial statements have been prepared on the historical cost basis except for items for which another basis of measurement is specifically mentioned in these notes.

2.2 Presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Georgian Lari (“GEL”), which is the Company’s functional and presentation currency.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the statement of financial position date are recognized in the income statement. Such balances are translated at period-end exchange rates. Rates of main currencies at the year-end were as presented below:

	USD	EURO
December 31, 2017	2.5922	3.1044

2.3 Financial instruments

Key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest reprising date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

2.4 Initial recognition of financial instruments

Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

2.5 Derecognition of financial assets

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

2.6 Insurance contract

The insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Prohibits provisions for possible claims under contracts that are not in existence at the reporting date. Requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. Requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and prohibits offsetting insurance liabilities against related reinsurance assets and income or expense from reinsurance contracts against the expense or income from the related insurance contract.

2.7 Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the company, including amounts charged or credited to current accounts of the Company's counterparties held with the company, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

2.8 Premises and equipment

Premises and equipment are subject to accounted at cost less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

2.9 Depreciation

Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	50
Office and computer equipment	5
Leasehold improvements	1 to 7
Motor vehicles	5
Other	10

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.10 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight- line basis over expected useful lives of 10 years.

2.11 Operating leases

Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

2.12 Income taxes

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge or credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns.

Deferred income tax accounted using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Company.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

2.14 Income and expense recognition

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion.

2.15 Foreign currency translation

The functional currency of each of the Company's entities is the currency of the primary economic environment in which the entity operates. The functional and the presentation currency of the Company is the national currency of Georgia, Georgian Lari ("GEL").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the NBG at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the NBG, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

2.16 Staff costs and related contributions

Wages, salaries, insurance, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

2.17 Presentation of statement of financial position in order of liquidity

The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

	Amounts expected to be recovered or settled 2017		
In thousands of Georgian Lari	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
Assets			
Cash and cash equivalents	4,307	-	**4,307**
TOTAL ASSETS	**4,307**	**-**	**4,307**
Liabilities			
Current income tax liability	1	-	1
TOTAL LIABILITIES	**1**	**-**	**1**

2.18 Amendments of the financial statements after issue

The Company's shareholders and management have the power to amend the financial statements after issue.

3. CRITICAL ACCOUNTING ESTIMATES, AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the amounts recognized in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

3.1 Tax legislation

The Company is subject to corporate income taxes under jurisdiction of Georgia. The calculation of the Company's tax charge and provisions for corporate income taxes necessarily involves a degree of estimation and judgement. Refer to Note 9.

4. NEW ACCOUNTING PRONOUNCEMENTS

4.1 IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018)

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed. No material effect is expected on the Company due to introduction of the new standard.

4.2. IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the new standard on its financial statements.

4.3 IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021)

IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of Company's of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognizing the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognizing the loss immediately. The Company is currently assessing the impact of the new standard on its financial statements.

4.4 IFRIC 22 "Foreign currency transactions and advance consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018)

This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or received consideration in advance for foreign currency-denominated contracts. The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. No material effect is expected on the Company due to introduction of the new standard.

4.5 IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Company is currently assessing the impact of the interpretation on its financial statements.

5. Cash and cash equivalents

In thousands of Georgian Lari	**2017**
Cash on hand	-
Current accounts and deposits with banks	4,307
Total cash and cash equivalents	**4,307**

6. Share Capital

In thousands of Georgian Lari except for number of shares	**Number of outstanding shares in thousands**	**Ordinary shares**	**Share premium**	**Total**
At 31 December 2016	**-**	**-**	**-**	**-**
New shares issued	4,300	4,300	-	4,300
At 31 December 2017	**4,300**	**4,300**	**-**	**4,300**

The total authorised number of ordinary shares is 4,300 thousand shares, with a par value of GEL 1 per share. The total number of issued ordinary shares is 4,300 thousand shares. All issued ordinary shares are fully paid.

7. Interest Income and Expense

In thousands of Georgian Lari	**2017**
Interest income	
Due from banks	8
Total interest income	**8**
Interest expense	-
Total interest expense	**-**
Net interest income / (Net interest expense)	**8**

8. Administrative and Other Operating Expenses

In thousands of Georgian Lari	**2017**
Other Operating Expenses	1
Total administrative and other operating expenses	**1**

9. Income Taxes

9.1 Components of income tax expense:

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Georgian Lari	**2017**
Current tax	(1)
Deferred tax	-
Income tax expense for the year	**(1)**

9.2 Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate:

The income tax rate applicable to the majority of the Company's 2017 income is 15%. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Georgian Lari	**2017**
Profit before tax	7
Theoretical tax charge at statutory rate (2017: 15%)	**(1)**
Tax effect of items which are not deductible or assessable for taxation purposes	-
Income tax expense for the year	(1)

9.3 Deferred taxes analysed by type of temporary difference:

Differences between IFRS and statutory taxation regulations in Georgia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. In 2017 Company does not have such differences between IFRS and tax bases.

10. Financial Risk Management

The risk management function within the Company is carried out in respect of Insurance risks, financial risks, operational risks and legal risks. The Company manages the identification, assessment and mitigation of risks through an internal governance process, the risk management tools and processes to mitigate the impact of these risks on the Company's financial results, its long term strategic goals and reputation.

The Supervisory Board has overall responsibility for the oversight of the risk management framework. As a top governing body of the Company, the Supervisory Board sets the general approach and principles for risk management by assessing the Company's risk profile and the adequacy and effectiveness of the Company's risk management framework, approving individual risk strategies, setting risk appetite and the risk control framework.

The Management Board defines appropriate procedures for managing all inherent risks in each business line, with the role of structuring business to reflect risk, ensuring adequate segregation of duties and adequate procedures in place, defining operational responsibilities of subordinate staff. The Management Board is responsible for monitoring and implementation of risk mitigation measures and ensuring that the company operates within the established risk parameters.

Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. For minimize negative impact of the insurance risk on the portfolio management diversification of insurance contracts portfolio. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

11. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these financial statements.

Tax contingencies. Georgian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances tax year may remain open longer.

12. Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2017, the outstanding balances with related parties were as follows:

In thousands of Georgian Lari	**Shareholders**	**Supervisory Board**	**Management Board**
Cash and cash equivalents with banks	4,307	-	-

The income and expense items with related parties for 2017 were as follows:

In thousands of Georgian Lari	**Shareholders**	**Supervisory Board**	**Management Board**
Interest income	8	-	-
Administrative and other operating expenses	-	-	-