JSC “INSURANCE COMPANY IMEDI L”

FINANCIAL STATEMENTS

For the year ended 31 December 2019

Together with the Independent Auditor’s Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Management of JSC "Insurance Company Imedi L"

Opinion

We have audited the financial statements of JSC "Insurance Company Imedi L" (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other 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 2019, 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 (the "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.

Emphasis of Matter – Events After the Reporting Period

We draw attention to note 30 of the financial statements, which describes the events after the reporting period and before approval of the financial statements. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Management Report for the year ended 31 December 2019, but does not include the financial statements and our auditor's report thereon. The Management Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with the relevant regulatory requirements, or otherwise appears to be materially misstated based on our knowledge obtained in the audit. If, based on the work we perform on the other information, we conclude that there is a material misstatement in this other information, we are required to report that fact.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Malkhaz Ujmajuridze

For and on behalf of Nexia TA LLC

15 April, 2020

Tbilisi, Georgia

JSC "INSURANCE COMPANY IMEDI L"
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(In thousands of GEL)

	Notes	31 December, 2019	31 December, 2018
Assets			
Cash and cash equivalents	4	2,994	1,625
Amounts due from credit institutions	5	13,588	10,738
Investment securities: available-for-sale	6	6,434	601
Insurance receivables	7	29,629	25,997
Reinsurance asset	15	297	1,313
Loans Issued	17	1,215	1,049
Current income tax assets	8	–	108
Deferred income tax assets	8	228	–
Deferred acquisition costs	9	926	1,072
Property and equipment	10	6,249	5,862
Investment property	11	9,352	9,352
Goodwill and other intangible assets	12	5,519	5,576
Other assets	13	1,078	1,326
Total assets		**77,509**	**64,619**
Equity			
Share capital	14	7,503	7,503
Additional paid-in capital	14	16,426	16,426
Reserve for revaluation of property and equipment		83	83
Retained earnings/(accumulated deficit)		2,831	(472)
Total equity		**26,843**	**23,540**
Liabilities			
Insurance contract liabilities	15	31,668	27,426
Claims payable	16	5,791	2,914
Current income tax liabilities		1,047	–
Borrowings	17	7,450	5,966
Other liabilities	18	4,710	4,773
Total liabilities		**50,666**	**41,079**
Total equity and liabilities		**77,509**	**64,619**

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

General Director — Givi Giorgadze

Deputy CEO (Finance, IT, Underwriting and optimization) — Nodar Gelovani

Tbilisi, Georgia
15 April 2020

The note on page 9-38 are an integral part of these financial statements.

JSC "INSURANCE COMPANY IMEDI L"
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019
(In thousands of GEL)

	Notes	2019	2018
Gross earned premiums on insurance contracts	20	75,355	55,154
Interest Income	21	1,427	1,161
Other operating income	22	1,562	787
Total revenue		**78,344**	**57,102**
Net insurance benefits and claims paid		(57,755)	(42,980)
Net change in insurance contracts liabilities		(2,231)	1,133
Claim settlement expenses		(1,320)	(737)
Net insurance claims	23	**(61,306)**	**(42,584)**
Acquisition costs	24	(2,801)	(2,843)
Salaries and other employee benefits	25	(4,881)	(4,435)
General and administrative expenses	26	(1,526)	(1,577)
Depreciation and amortization expenses	9; 11	(1,101)	(759)
Impairment charge		(481)	(362)
Interest expense	21	(699)	(1,140)
Foreign exchange and translation gain		210	215
Other operating expenses		(99)	(90)
Other expenses		**(11,378)**	**(10,991)**
Profit before tax		**5,660**	**3,527**
Income tax expense	8	(856)	(579)
Net profit for the year		**4,804**	**2,948**
Other comprehensive income		-	-
Total comprehensive income for the year		**4,804**	**2,948**

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

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

Givi Giorgadze — Nodar Gelovani

Tbilisi, Georgia
15 April 2020

The note on page 9-38 are an integral part of these financial statements.

JSC "INSURANCE COMPANY IMEDI L"
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019
(In thousands of GEL)

	Share Capital	Additional paid-in capital	Reserve for revaluation of property and equipment	Retained Earnings	Total
31 December 2017	**4,170**	**9,759**	**83**	**(3,420)**	**10,592**
Total comprehensive income	–	–	–	2,948	**2,948**
Issue of share capital (Note 14)	3,333	6,667	–	–	**10,000**
31 December 2018	**7,503**	**16,426**	**83**	**(472)**	**23,540**
Total comprehensive income	–	–	–	4,804	**4,804**
Dividends declared (Note 14)	–	–	–	(1,500)	**(1,500)**
31 December 2019	**7,503**	**16,426**	**83**	**2,831**	**26,843**

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

General Director
Givi Giorgadze

Deputy CEO (Finance, IT, Underwriting and optimization)
Nodar Gelovani

Tbilisi, Georgia
15 April 2020

The note on page 9-38 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(In thousands of GEL)

	2019	2018
Cash flows from operating activities		
Insurance premium received	74,842	57,199
Insurance benefits and claims paid	(56,537)	(39,860)
Acquisition costs paid	(2,487)	(2,547)
Salaries and benefits paid	(4,890)	(5,902)
Cash paid to other suppliers of goods and services	(2,135)	(1,474)
Interest received	905	647
Other operating expenses paid	(490)	(703)
Net cash flows from operating activities	**9,207**	**7,360**
Cash flows from investing activities		
Acquisition of additional investment securities	(5,708)	–
Purchase of property and equipment	(113)	(348)
Purchase of investment property	–	(9,352)
Purchase of intangible assets	–	(107)
Loan issued	–	(964)
Placement of amount due from credit institution	(12,088)	(8,769)
Withdrawal of amount due from credit institution	9,858	7,081
Net cash flows from used in investing activities	**(8,051)**	**(12,459)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares (note 14)	–	10,000
Proceeds from borrowings	6,940	10,786
Repayment of borrowings	(5,515)	(14,633)
Dividends paid (note 14)	(625)	–
Interest paid	(577)	(892)
Net cash flows from financing activities	**222**	**5,261**
Effect of exchange rates changes on cash and cash equivalents	(10)	(50)
Net increase in cash and cash equivalents	**1,369**	**112**
Cash and cash equivalents, 1 January	**1,625**	**1,513**
Cash and cash equivalents, 31 December	**2,994**	**1,625**

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

General Director	Deputy CEO (Finance, IT, Underwriting and optimization)
Givi Giorgadze	Nodar Gelovani

Tbilisi, Georgia

15 April 2020

The note on page 9-38 are an integral part of these financial statements.

1. PRINCIPAL ACTIVITIES

On 11 August 1998 a Joint Stock Company Insurance Company Aldagi ("Aldagi") was established under the laws of Georgia. In 2014 Aldagi began a corporate reorganisation process in order to separate its health insurance business from property and casualty insurance business. Reorganization was finalized on 31 July 2014 and resulted in creation of two separate entities: **JSC Insurance Company Imedi L** ("Imedi L" or "the Company") and JSC Insurance Company Aldagi, with Imedi L retaining the old tax identification number of previously existed Aldagi − 204919008, and Imedi L is considered to be the legal successor of the old entity.

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

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

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

As at 31 December 2019 and 31 December 2018, the shareholder of the Company is JSC Georgian health group – 100%, owned by Georgia Capital plc., incorporated in the United Kingdom and listed at London stock exchange.

2. BASIS OF PREPARATION

Statement of compliance

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

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

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

Amounts presented in these financial statements are given in Georgian national currency – Lari (GEL) and are rounded to the nearest thousand unless otherwise stated.

Going concern

Financial statements of the Company are prepared on a going concern basis. The Company's total comprehensive income for the year ended 31 December 2019 amounted to GEL 4,808 (2018: GEL 2,948) and positive cash flows from operating activities amounted GEL 9,207 thousand and (2018: 7,360) respectively.

When assessing the Company's ability to continue as a going concern the management considered the Company's strong financial position, profitability of operations, current plans and access to local as well as international financial resources as necessary. Management considers that the Company has the ability to meet all of its liabilities as they become due.

Insurance industry has faced challenges as a result of spread of the COVID 19 around the world and in Georgia. The Company has assessed the future perspectives (see note 30) in light of the current situation and, as a result, the Company's management believes that there is no doubt about the Company's ability to continue as a going concern for at least the following 12 months after reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Insurance contracts

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

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

Insurance receivables

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

Insurance contract liabilities

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

Deferred acquisition costs

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

Cash and cash equivalents

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

Financial assets

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

Loans and receivables

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting

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

Fair value measurement

The Company measures financial instruments, such as derivatives and certain non-financial assets such as investment property, at fair value at each balance sheet date. Fair values of financial instruments measured at amortized cost are disclosed in Note 27.1

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

Investment securities available for sale

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

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

Borrowings

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

Allowances for impairment of financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets carried at amortized cost

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

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

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

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

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

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

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

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

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

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

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

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

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

Right of use (ROU) assets

The Company as a lessee

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

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

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

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

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

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

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

Intangible assets

Intangible assets include computer software and licenses.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

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

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

Investment property

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

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

Subsequently, investment properties are also stated at cost model with IAS 16 requirements.

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

Taxation

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

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

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

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

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

Provisions and contingent liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based transactions

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

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

Equity

Share capital

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

Dividends

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

Joint arrangements: Joint operation

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

Income and expense recognition

Net insurance revenue

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

Provision for unearned premiums

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

Net insurance claims

Insurance claims incurred include all claim losses occurring during the period, whether reported or not, including the related handling costs and other recoveries and any adjustments to claims outstanding from previous periods.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims, such as salaries of general practitioners. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

(In thousands of GEL)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

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

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

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

Average rate for the year	2019	2018
1 USD/GEL	2.8192	2.5345
1 EUR/GEL	3.1553	2.9913

Application of new and amended standards

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by IASB that are mandatory for the current reporting period. This is the first set of the Company's annual financial statements in which IFRS 16 "Leases" have been applied.

The company not yet used any new or amended Accounting Standards or Interpretations adopted by International Accounting Standards Board (IASB), but have not been yet entered into force for the beginning of financial year 1 January 2019. This also applies to IFRS 9 financial instruments, as the changes adopted in September 2016 allow insurance companies to continue using IAS 39 until 2022 (instead of IFRS 9). In May 2017, IFRS 17 insurance contracts were issued, which will replace IFRS 4 from 2021 onwards.

Use of estimates, assumptions and judgments

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Claims liability arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. General insurance claims provisions are not discounted for the time value of money. The carrying amount of the claims incurred but not yet reported as at 31 December 2019 was GEL 3,783 (31 December 2018: GEL 3,023).

(In thousands of GEL)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for impairment of insurance receivables

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

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

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

Actual results may differ from the estimates and the Company's estimates can be revised in the future, either negatively or positively, depending upon the outcome or expectations based on the facts surrounding each exposure. The amount of allowance for impairment of insurance premiums receivable as at 31 December 2019 was GEL 3,131 (31 December 2018: GEL 2,651).

Recoverability of goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The amount of goodwill as at 31 December 2019 was GEL 3,462 (31 December 2018: GEL 3,462).

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalens as of December 31, 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Cash on hand	72	66
Current accounts	2,922	1,559
Total cash and cash equivalents	**2,994**	**1,625**

ISSSG requirement is to maintain minimum level of cash and cash equivalents at 10% of the insurance contract liabilities subject to reservation as defined by Insurance State Supervision Service of Georgia regulatory reserve requirement resolution, which as at the reporting date amounted to GEL 1,003 (31 December 2018: GEL 766).

5. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amount due from credit institution as of December 31, 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Bank deposits in GEL	9,783	6,064
Bank deposits in USD	3,805	4,674
Total amounts due from credit institutions	**13,588**	**10,738**

Amounts due from credit institutions are represented by short-term (for 3 to 12 months) placements and earn annual interest of 4.00% to 12.80% in 2019 (31 December 2018: 4.50% to 12.75%)

(In thousands of GEL)

6. INVESTMENT SECURITIES: AVAILABLE-FOR-SALE

Investment securities: available-for-sale as of December 31, 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Investment securities available for sale	6,300	600
Accrued interest	134	1
Total investment securities: available for sale	**6,434**	**601**

7. INSURANCE RECEIVABLES

Insurance receivable as of December 31, 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Due from policyholders	32,760	28,648
Less – allowance for impairment	(3,131)	(2,651)
Total insurance receivables	**29,629**	**25,997**

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

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

	Insurance Receivables
December 31, 2017	**2,589**
Charge	362
Write-off	(300)
December 31, 2018	**2,651**
Charge	480
Write-off	-
December 31, 2019	**3,131**

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

8. TAXATION

Taxation as of December 31, 2019 and 2018 are as follows:

The corporate income tax expenses comprise:

	2019	2018
Current income tax charge	1,084	579
Deferred tax benefit – origination and reversal of temporary differences	(228)	-
Total income tax expense	**856**	**579**

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

	2019	2018
(Loss)/profit before tax	5,660	3,527
Statutory tax rate	**15%**	**15%**
Theoretical income tax expense/ (benefit) at the statutory rate	**849**	**529**
Non-deductible expenses	7	50
Unrecognized tax loss carry forward	-	-
Effect of change in tax legislation	-	-
Income tax expense	**856**	**579**

(In thousands of GEL)

8. TAXATION (CONTINUED)

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

	In the income statement	31 December, 2018	In the income statement	31 December, 2019
Tax effect of deductible temporary differences:				
Insurance receivables	17	346	124	470
Tax loss carried forward	-	-	–	-
Insurance contracts liabilities	17	42	(42)	-
Borrowings	-	-	–	-
Loans Issued	-	-	–	-
Other assets	-	-	147	147
Deferred tax assets	**34**	**388**	**229**	**617**
Tax effect of taxable temporary differences:				
Property and equipment	(74)	(48)	6	(42)
Insurance contracts liabilities	-	-	429	429
Intangible assets	122	436	(434)	2
Other liabilities	(14)	-	–	-
Deferred tax liabilities	**34**	**388**	**1**	**389**
Net deferred income tax assets	**-**	**-**	**228**	**228**

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

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. As a result, starting from 1 January 2023, the Company's taxable profit will be the dividends paid out (if any) and the deferred tax will no longer exist.

9. DEFERRED ACQUISITION COSTS

Deferred acquisition costs as of December 31, 2019 and 2018 are as follows:

At 31 December 2017	**1,293**
Expenses deferred	2,229
Amortization	(2,450)
At 31 December 2018	**1,072**
Expenses deferred	2,399
Amortization	(2,545)
At 31 December 2019	**926**

(In thousands of GEL)

10. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and 2018 are as follows:

	Land and buildings	Furniture and fixtures	Computers	Motor Vehicles	Leasehold improvements	RoU Lease	Total
Gross Book Value							
December 31, 2017	**4,164**	**1,432**	**2,185**	**168**	**810**	**-**	**8,759**
Additions	-	22	310	116	55	-	503
Disposals	-	(3)	(5)	(105)	(3)	-	(116)
December 31, 2018	**4,164**	**1,451**	**2,490**	**179**	**862**	**-**	**9,146**
Additions	–	68	168	25	59	892	1,212
Disposals	–	–	–	(16)	(3)	-	(19)
December 31, 2019	**4,164**	**1,519**	**2,658**	**188**	**918**	**892**	**10,339**
Accumulated Depreciation							
December 31, 2017	**290**	**831**	**1,615**	**103**	**83**	**-**	**2,922**
Depreciation charge	41	112	203	25	62	-	443
Reversal on Disposals	–	(1)	–	(80)	–	-	(81)
December 31, 2018	**331**	**942**	**1,818**	**48**	**145**	**-**	**3,284**
Depreciation charge	41	101	232	33	63	346	816
Reversal on Disposals	–	–	–	(9)	(1)	–	(10)
December 31, 2019	**372**	**1,043**	**2,050**	**72**	**207**	**346**	**4,090**
Net Book Value							
December 31, 2018	**3,833**	**509**	**672**	**131**	**717**	**–**	**5,862**
December 31, 2019	**3,792**	**476**	**608**	**116**	**711**	**546**	**6,249**

The Company has no buildings pledged as collateral for the years ended 31 December 2019 and 2018.

(In thousands of GEL)

11. INVESTMENT PROPERTY

Investment property as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Land	9,352	9,352
Total investment property	**9,352**	**9,352**

The company uses cost model for the investment property. The estimated market value of the investment property as of December 31, 2019 is GEL 12,453.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets as of December 31, 2019 and 2018 are as follows:

	Goodwill	Licenses	Computer Software	Total
Gross book value				
December 31, 2017	**3,462**	**1,997**	**2,031**	**7,490**
Additions	–	26	146	**172**
December 31, 2018	**3,462**	**2,023**	**2,177**	**7,662**
Additions	–	97	131	**228**
December 31, 2019	**3,462**	**2,120**	**2,308**	**7,890**
Accumulated depreciation / impairment				
December 31, 2017	**-**	**701**	**1,069**	**1,770**
Depreciation charge	-	183	133	**316**
December 31, 2018	**–**	**884**	**1,202**	**2,086**
Depreciation charge	-	179	106	**285**
December 31, 2019	**–**	**1,063**	**1,308**	**2,371**
Net book value				
December 31, 2018	**3,462**	**1,139**	**975**	**5,576**
December 31, 2018	**3,462**	**1,057**	**1,000**	**5,519**

As of 31 December 2019 and 31 December 2018, goodwill acquired through business combinations has been allocated to the single cash-generating unit for impairment testing purposes − medical insurance business of JSC Insurance Company Imedi L, which was result of merger.

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

(In thousands of GEL)

12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Discount rates were not adjusted for either a constant or a declining growth rate beyond the three-year period covered in financial budgets. For the purposes of the impairment test, a 5% permanent growth rate has been assumed when assessing the future operating cash flows of the cash-generating unit.

The carrying amount of goodwill distributed on each of the cash generating units for the years ended 31 December 2019 and 2018 is as follows:

	Increases effective annual rate in three years of financial budgets:	**Average weighted average capital cost used to determine impairment**	**Goodwill Balance Cost 31 December, 2019**
Aldagi	19.90%	16.56%	3,260
Imedi L International	19.90%	16.56%	99
Partner	19.90%	16.56%	103
31 December 2019			**3,462**

	Increases effective annual rate in three years of financial budgets:	**Average weighted average capital cost used to determine impairment**	**Goodwill Balance Cost 31 December, 2018**
Aldagi	33.46%	11.30%	3,260
Imedi L International	33.46%	11.30%	99
Partner	33.46%	11.30%	103
31 December 2018			**3,462**

13. OTHER ASSETS

Other assets as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	**December 31, 2018**
Advances and prepayments	464	658
Trade Receivables	276	257
Inventory	257	248
Other	81	163
Other assets	**1,078**	**1,326**

14. EQUITY

As 31 December 2018 the number of authorized ordinary shares was 7,503,187 with a nominal value per share of 1 GEL (not presented in thousands). All authorized shares have been issued and fully paid.

As at 31 December, 2019 share capital consisted of GEL 7,503 and additional paid in capital consisted of GEL 16,426.

The share capital of the Company was contributed by the shareholders in GEL and they are entitled to dividends and any capital distribution in GEL. Dividends of GEL 1,500 were declared in 2019 of which GEL 625 have been paid as of 31 December 2019.

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

Regulatory capital requirements in Georgia are set by the Insurance State Supervision Service of Georgia (ISSSG) and are applied to JSC Insurance Company Imedi. Insurance State Supervision Service of Georgia requirement is to maintain a minimum capital of GEL 4,685 of which 100% should be kept as cash at bank or bank deposits (2018: GEL 4,200). Bank confirmation letter is submitted to Insurance State Supervision Service of Georgia on a monthly basis in order to prove compliance with the above-mentioned regulatory requirement. The Company regularly and consistently complies with the Insurance State Supervision Service of Georgia regulatory capital requirement.

15. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	**December 31, 2018**
Insurance contracts liabilities		
- Unearned premiums provision	23,301	20,490
- Provisions for claims reported by policyholders	4,454	3,023
- Provisions for claims incurred but not reported (IBNR)	3,913	3,913
Total insurance contracts liabilities	**31,668**	**27,426**
Reinsurance shares in UPR	79	295
Reinsurance shares in RBNS	218	1,018
Reinsurance assets	**297**	**1,313**
Net UPR	23,156	20,195
Net RBNS	4,236	2,005
Net IBNR	3,913	3,913
Total insurance contracts liabilities, net	**31,305**	**26,113**

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

	December 31, 2019		**December 31, 2018**	
	Insurance contract liabilities	**Reinsurance assets**	**Insurance contract liabilities**	**Reinsurance assets**
At the start of the period	27,426	1,313	**26,167**	**-**
Premiums written during the year	80,719	2,487	61,239	5,025
Premiums earned during the year	(77,908)	(2,703)	(59,864)	(4,729)
Claims incurred during the current accident year	61,844	538	46,955	4,371
Claims paid during the year	(59,093)	(1,338)	(46,334)	(3,354)
Claim settlement expenses	(1,320)	–	(737)	-
At the end of the period	**31,668**	**297**	**27,426**	**1,313**

(In thousands of GEL)

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Insurance contract liabilities − terms, assumptions and sensitivities

(1) Terms and conditions

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

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

(2) Assumptions

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

(3) Loss development triangle

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

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

Accident year	2016	2017	2018	2019	Total
At the end of accident year	53,317	45,209	42,584	61,306	
One year later	53,082	45,209	42,424		
Two years later	53,082	45,209			
Three years later	53,082				
Current Estimation of Cumulative Claims incurred	**53,082**	**45,209**	**42,424**	**61,306**	**202,021**
At the end of accident year	(45,377)	(38,816)	(36,052)	(53,406)	
One year later	(52,764)	(45,087)	(42,235)		
Two years later	(52,882)	(45,091)			
Three years later	(52,922)				
Cumulative Payments to date	**(52,922)**	**(45,091)**	**(42,235)**	**(53,406)**	**(193,654)**
Outstanding Claims provision per the statement of financial position	**160**	**118**	**189**	**7,900**	**8,367**
Current Estimation of Surplus/(Deficiency)	**235**	**-**	**160**		
% of Surplus/ (deficiency) of initial gross reserve	**0.4%**	**0.0%**	**0.4%**		

(In thousands of GEL)

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Accident year	2015	2016	2017	2018	Total
At the end of accident year	46,486	53,317	45,209	42,584	
One year later	46,205	53,082	45,209		
Two years later	46,205	53,082			
Three years later	46,205				
Current Estimation of Cumulative Claims incurred	**46,205**	**53,082**	**45,209**	**42,584**	**187,080**
At the end of accident year	(47,092)	(45,377)	(38,816)	(36,052)	
One year later	(58,013)	(52,764)	(45,087)		
Two years later	(58,226)	(52,882)			
Three years later	(46,123)				
Cumulative Payments to date	**(46,123)**	**(52,882)**	**(45,087)**	**(36,052)**	**(180,144)**
Outstanding Claims provision per the statement of financial position	**82**	**200**	**122**	**6,532**	**6,936**
Current Estimation of Surplus/(Deficiency)	**281**	**235**	**-**		
% of Surplus/ (deficiency) of initial gross reserve	**0.6%**	**0.4%**	**0.0%**		

16. CLAIMS PAYABLE

As of December 31, 2019 and December 31, 2018, the company's insurance payable include liabilities to provider clinics.

17. BORROWINGS AND LOANS ISSUED

Borrowings and loans issued as of December 31, 2019 and 2018 are as follows:

Loans issued	December 31, 2019	December 31, 2018
loans issued to related party (principal)	1,020	965
loans issued to related party (interest)	195	84
Total loans issued	1,215	1,049

In 2019 company has one active loan to related party with annual interest of 11.48% and maturity date 29 December, 2020.

Borrowings	December 31, 2019	December 31, 2018
Borrowings from local credit institutions	7,450	5,966
Borrowings from international credit institutions	-	-
Total loans issued	**7,450**	**5,966**

In 2019 interest expense amounted to 699 GEL (2018 – 1,140 GEL).

(In thousands of GEL)

18. OTHER LIABILITIES

Other liabilities as of December 31, 2019 and 2018 are as follows:

	December 31, 2018	December 31, 2018
Accruals for employee compensation	1051	1,009
Creditors	234	285
Dividends Payable	875	–
Other	2,550	3,479
Other liabilities	**4,710**	**4,773**

19. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies as of December 31, 2019 and 2018 are as follows:

Legal

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

Taxation

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

Financial commitments and contingencies

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

	December 31, 2019	December 31, 2018
Operating lease commitments:		
- Not later than 1 year	98	204
- Later than 1 year but not later than 5 years	986	285
Financial contingencies	**1,084**	**489**

20. NET INSURANCE REVENUE

Net insurance revenue for the years ended December 31, 2019 and 2018 comprise:

	2019	2018
Gross premiums written	80,719	61,239
Gross change in unearned premium provision	(2,811)	(1,375)
Insurance premiums ceded to reinsurers	(2,487)	(5,005)
Change in unearned premium provision, reinsurers share	(66)	295
Net insurance revenue	**75,355**	**55,154**

(In thousands of GEL)

21. INTEREST INCOME AND INTEREST EXPENSE

Net interest income for the years ended December 31, 2019 and 2018 comprise:

	2019	2018
Interest Income		
Amounts Due from credit institutions	1,232	731
Loan issued	111	372
Cash and cash equivalents	84	58
Total Interest Income	**1,427**	**1,161**
Interest expense		
Borrowings from local lenders	699	1,140
Borrowings from international credit institutions	-	-
Total Interest expense	**699**	**1,140**

22. OTHER OPERATING INCOME

For the years ending 31 December 2018 and 2019 other operating income consists of commission income

23. NET INSURANCE CLAIMS

Net insurance claims for the years ended December 31, 2019 and 2018 comprise:

	2019	2018
General insurance claims paid	(58,722)	(43,317)
Life insurance claims paid	(353)	(400)
Total insurance claims paid	**(59,075)**	**(43,717)**
change in total insurance contract liabilities	(2,231)	1,133
insurance claims incurred	**(61,306)**	**(42,584)**

24. ACQUISITION COSTS

Acquisition costs for the years ended December 31, 2019 and 2018 comprise:	2019	2018
Acquisition costs	2,947	3,064
Acquisition costs deferred	2,399	2,229
Amortization of deferred acquisition costs	(2,545)	(2,450)
Acquisition costs	**2,801**	**2,843**

25. SALARIES AND OTHER EMPLOYEE BENEFITS

Salaries and other employee benefits for the years ended December 31, 2019 and 2018 comprise:

	2019	2018
Salaries	4,256	4,118
Insurance and other benefits	326	153
Share-based compensation	299	164
Salaries and other employee benefits	**4,881**	**4,435**

(In thousands of GEL)

26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, 2019 and 2018 comprise:

	2019	2018
Occupancy and rent	121	447
Communications	139	130
Marketing and advertising	133	100
Utilities	257	167
Legal and consultancy	125	95
Printing	69	47
Representative	177	155
Office supplies	115	123
Bank fees and commissions	83	66
Operating taxes	62	64
Business travel and related	34	36
Charity	16	1
Personnel training	117	103
Security	34	7
Repair and maintenance of property and equipment	7	12
Other GA	37	24
Total general and administrative expenses	**1,526**	**1,577**

Audit fee for FY 2019 equaled GEL 45 (2018: GEL 45).

27. RISK MANAGEMENT

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

Governance framework

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

Executive management of the Company monitors and manages risks on a regular basis, by assigning tasks, creating different working groups and setting up risk management policy as well as respective guidelines and controlling their implementation and performance of relevant departments.
Executive management meets regularly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting strategy to the corporate goals and specify reporting requirements.

Capital management objectives, policies and approach

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

(In thousands of GEL)

27. RISK MANAGEMENT (CONTINUED)

The capital management objectives are:

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

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

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

The Statutory Reserve requirement for Imedi L as at 31 December 2019 equals to the minimal amount of liquid assets of GEL 10,030 (31 December 2018: 7,664) The insurance company is fully compliant with the requirement by holding actual GEL 14,366 (31 December 2018: GEL 10,352) of total eligible liquid assets.

New regulations regarding solvency requirements to an insurer were introduced in Insurance Law of Georgia in September 2016;

Insurance risk

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

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

	December 31, 2019	December 31, 2018
Loss Ratio	81.4%	77.2%
Combined Ratio	93.7%	94.0%

(In thousands of GEL)

27. RISK MANAGEMENT (CONTINUED)

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

	December 31, 2019	December 31, 2018
Healthcare	6,822	6,523
Life	973	38
Travel	457	280
Personal accident	115	95
	8,367	**6,936**

Financial risk

(1) Credit risk

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

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

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

Credit quality per class of financial assets

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

Financial risk

(1) Credit risk

	Neither past due nor impaired	Past-due or individually impaired		Total
	December 31, 2019	December 31, 2019		December 31, 2019
		Less than 91 days	More than 90 days	
Amounts due from credit institutions	13,588	–	–	13,588
Insurance receivables	29,777	1,094	3,505	34,376
Trade receivables	276	–	–	276
Total	**43,641**	**1,094**	**3,505**	**48,240**

	Neither past due nor impaired	Past-due or individually impaired	Total
	December 31, 2018	December 31, 2018	December 31, 2018

(In thousands of GEL)

		Less than 91 days	More than 90 days	
Amounts due from credit institutions	10,738	–	–	10,738
Insurance receivables	24,750	1,248	2,650	28,648
Trade receivables	257	–	–	257
Total	**35,745**	**1,248**	**2,650**	**39,643**

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

(2) Liquidity risk

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

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

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

December 31, 2019	**Within one year**	**More than one year**	**Total**
Assets			
Cash and cash equivalents	2,994	–	2,994
Amounts Due from Credit Institutions	12,068	1,520	13,588
Insurance Receivables	29,629	–	29,629
Reinsurance assets	297	–	297
Loans Issued	1,215	–	1,215
Deferred Income Tax Assets	–	228	228
Other Assets	276	–	276
Total assets	**46,479**	**1,748**	**48,227**
Liabilities:			
Insurance Contract Liabilities	31,668	–	31,668
Claims payable	5,791	–	5,791
Borrowings	5,050	2,400	7,450
Deferred income tax liabilities	4,710	–	4,710
Other Liabilities	1,047	–	1,047
Total liabilities	**48,266**	**2,400**	**50,666**
Net position	**(1,787)**	**(652)**	**(2,439)**
Accumulated gap	**(1,787)**	**(2,439)**	

December 31, 2018	**Within one year**	**More than one year**	**Total**
Assets			

Cash and cash equivalents	1,625	-	**1,625**
Amounts Due from Credit Institutions	10,738	-	**10,738**
Insurance Receivables	25,997	-	**25,997**
Reinsurance assets	1,313	-	**1,313**
Loans Issued	1,049	-	**1,049**
Other Assets	257	-	**257**
Total assets	**40,979**	**-**	**40,979**
Liabilities:			
Insurance Contract Liabilities	27,426	-	**27,426**
Claims payable	2,914	-	**2,914**
Borrowings	1,050	4,916	**5,966**
Other Liabilities	4,773	-	**4,773**
Total liabilities	36,163	4,916	**41,079**
Net position	**4,816**	**(4,916)**	**(100)**
Accumulated gap	**4,816**	**(100)**	

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

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

(3) Market risk

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

The Company has exposure to market risks. Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

I. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the financial instruments or the future cash flows on financial instruments.

As at 31 December, the effective average interest rates by currencies for interest generating/bearing monetary financial instruments were as follows:

	December 31, 2019		December 31, 2018	
	GEL	**GEL**	**GEL**	**USD**
Amounts due from credit institutions	11.50%	4.93%	11.09%	4.88%
Borrowings	11.44%	N/A	10.61%	0.00%

II. Currency risk

31-december-2019	**GEL**	**USD**	**EUR**	**Total**
Assets:				
Cash and cash equivalents	2,827	39	128	**2,994**
Amounts due from credit institutions	9,783	3,805	–	**13,588**

(In thousands of GEL)

Loans Issued	1,215	–	–	**1,215**
Insurance and reinsurance receivables	31,073	145	27	**31,245**
Total assets	**44,898**	**3,989**	**154**	**49,042**
Liabilities:				
Insurance contract liabilities	31,159	258	251	**31,668**
Borrowings	7,450	–	–	**7,450**
Other liabilities	4,397	313	–	**4,710**
Total liabilities	**43,006**	**571**	**251**	**43,828**
Net position	**1,892**	**3,418**	**(96)**	**5,214**
Increase in currency rate in %		15%	15%	
Effect on profit		**512.7**	**(14.4)**	
Decrease in currency rate in %		(15%)	(15%)	
Effect on profit		**(512.7)**	**14.4**	

In 2019 company bought USD currency forward from JSC "Medical Corporation Evex" with amount 1,700 USD. Exchange rate 2.6611, maturity date 23 January 2020

31-december-2018	**GEL**	**USD**	**EUR**	**Total**
Assets:				
Cash and cash equivalents	1,560	62	3	**1,625**
Amounts due from credit institutions	6,064	4,674	–	**10,738**
Loans Issued	1,049	–	–	**1,049**
Insurance and reinsurance receivables	25,970	27	–	**25,997**
Total assets	**34,643**	**4,763**	**3**	**39,409**
Liabilities:				
Insurance contract liabilities	27,135	81	210	**27,426**
Borrowings	5,966	–	–	**5,966**
Other liabilities	4,773	–	–	**4,773**
Total liabilities	**37,874**	**81**	**210**	**38,165**
Net position	**(3,231)**	**4,682**	**(207)**	**1,244**
Increase in currency rate in %		15%	15%	
Effect on profit		**702,3**	**(31)**	
Decrease in currency rate in %		(15%)	(15%)	
Effect on profit		**(702,3)**	**31**	

In 2018 company bought USD currency forward from JSC "Medical Corporation Evex" with amount 1,700 USD. Exchange rate 2,6734, maturity date 23 January 2019

28. FAIR VALUES MEASUREMENTS

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

(In thousands of GEL)

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed

28. FAIR VALUES MEASUREMENTS (CONTINUED)

by level of the fair value hierarchy:

Assets measured at fair value	Level 1	Level 2	Level 3	Total 2019
Office buildings	–	–	3,792	**3,792**
Assets for which fair values are disclosed				
Cash and cash equivalents	2,994	–	–	**2,994**
Amounts due from credit institutions	–	–	13,588	**13,588**
Liabilities for which fair values are disclosed				
Borrowings	–	–	7,450	**7,450**

Assets measured at fair value	Level 1	Level 2	Level 3	Total 2018
Office buildings	–	–	3,833	**3,833**
Assets for which fair values are disclosed				
Cash and cash equivalents	1,625	–	–	**1,625**
Amounts due from credit institutions	–	–	10,738	**10,738**
Liabilities for which fair values are disclosed				
Borrowings	–	–	5,966	**5,966**

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

Office buildings and Investment Property

The fair value of office buildings and investment property as at 31 December 2019 and 31 December 2018 is derived by certain inputs that are not based on observable market data. The value of the assets is measured using the market approach or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable land and buildings respectively. The cost approach reflects the amount that would be required currently to replace the service capacity of the asset.

	31 December 2019	Valuation technique	Significant unobservable inputs	Amount	Other key information	Area	Sensitivity of the input to fair value
Property and equipment	**3,792**						
	1,977	Market approach	Price per square meter	2,057-2,284	Square meters, building	211; 619	increase (decrease) in the price per square meter would result in increase (decrease) in fair value
	222	Cost approach	Replacement cost	188	Square meters, building	1,327	increase (decrease) in the replacement cost per square meter

(In thousands of GEL)

			per square meter				would result in increase (decrease) in fair value
			Developers' profit margin	10%			increase (decrease) in the developers' profit margin would result in increase (decrease) in fair value
			Land price per square meter	5	Square meters, land	5,782	increase (decrease) in the price per square meter would result in increase (decrease) in fair value
	1,593	Market approach	Price per square meter	2,716	Square meters, building	584	increase (decrease) in the price per square meter would result in increase (decrease) in fair value

	31 December 2018	Valuation technique	Significant unobservable inputs	Amount	Other key information	Area	Sensitivity of the input to fair value
Property and equipment	**3,833**						
	2,070	Market approach	Price per square meter	2,057-2,284	Square meters, building	211; 619	increase (decrease) in the price per square meter would result in increase (decrease) in fair value
	225	Cost approach	Replacement cost per square meter	188	Square meters, building	1,327	increase (decrease) in the replacement cost per square meter would result in increase (decrease) in fair value
			Developers' profit margin	10%			increase (decrease) in the developers' profit margin would result in increase (decrease) in fair value
			Land price per square meter	5	Square meters, land	5,782	increase (decrease) in the price per square meter would result in increase (decrease) in fair value
	1,538	Market approach	Price per square meter	2,716	Square meters, building	584	increase (decrease) in the price per square meter would result in increase (decrease) in fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements. As at 31 December 2019 and 31 December 2018 carrying values of financial assets and liabilities that are not carried at fair value in the statement of financial position were not significant different to their fair values.

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

(In thousands of GEL)

29. RELATED PARTY TRANSACTIONS

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

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

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

	December 31, 2019	December 31, 2018
Balances and transactions with the entities under common control		
Cash and cash equivalents	-	-
Issued loans	1,215	1,104
Insurance and reinsurance receivables	4,638	4,590
Prepayments	-	-
Other assets	6,385	22
	12,238	**5,716**
Borrowings	-	-
Insurance contract liabilities	5,513	3,759
Claims payable	5,035	1,739
Other liabilities	213	27
	10,762	**5,525**
Income and expenses		
Insurance premium	1,537	3,245
Insurance claims	(23,355)	(15,848)
General and administrative expenses	(13)	(31)
Interest income	111	372
Interest expense	(125)	-
	(21,845)	**3,648**

Compensation of key management personnel comprised the following:

	2019	2018
Salaries and cash bonuses	992	749
Total key management compensation	**992**	**749**

30. EVENTS AFTER THE REPORTING PERIOD

These financial statements were approved for issuance by the Company's management on April 15, 2020.

The following non-adjusting events took place after the reporting period:

- During 2020, new coronavirus so-called COVID-19 has spread across the world, which was officialy categorized as a pandemic by the World Health Organization (WHO) on March 11, 2020. Due to this circumstance, one-month the state of emergency was declared in Georgia on March 21, 2020. As a result of the situation, the insurance industry has faced challenges. The company believes it has all the resources needed to continue as a going concern. However, it is too early to make a precise prediction of how the crisis will affect its performance. It is also uncertain how long it will take to get out of the crisis; such a global integrated crisis is the first in the history of Georgian business and no corporate experience exists. The Company participates in the actions being taken against COVID-19, which is reflected in the following activities: remote work and flexible working hours are offered to employees.

  As a result, management estimates that the portfolio of both the corporate sector and the border TPL will be partially reduced compared to 2019. Despite the above-mentioned negative factors, the management believes that there is no doubt about the Company's ability to continue as a going concern, as stated in note 2.

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Management of JSC "Insurance Company Imedi L"

Opinion

We have audited the financial statements of JSC "Insurance Company Imedi L" (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other 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 2019, 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 (the "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.

Significant Metter – Events After the Reporting Period

We draw attention to note 30 of the financial statements, which describes the events after the reporting period and before approval of the financial statements. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Management Report for the year ended 31 December 2019, but does not include the financial statements and our auditor's report thereon. The Management Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with the relevant regulatory requirements, or otherwise appears to be materially misstated based on our knowledge obtained in the audit. If, based on the work we perform on the other information, we conclude that there is a material misstatement in this other information, we are required to report that fact.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Malkhaz Ujmajuridze

For and on behalf of Nexia TA LLC

15 April, 2020

Tbilisi, Georgia

405040682 LLC NEXIA TA
Nexia TA

JSC "INSURANCE COMPANY IMEDI L"
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(In thousands of GEL)

	Notes	31 December, 2019	31 December, 2018
Assets			
Cash and cash equivalents	4	2,994	1,625
Amounts due from credit institutions	5	13,588	10,738
Investment securities: available-for-sale	6	6,434	601
Insurance receivables	7	29,629	25,997
Reinsurance asset	15	297	1,313
Loans Issued	17	1,215	1,049
Current income tax assets	8	–	108
Deferred income tax assets	8	228	–
Deferred acquisition costs	9	926	1,072
Property and equipment	10	6,249	5,862
Investment property	11	9,352	9,352
Goodwill and other intangible assets	12	5,519	5,576
Other assets	13	1,078	1,326
Total assets		**77,509**	**64,619**
Equity			
Share capital	14	7,503	7,503
Additional paid-in capital	14	16,426	16,426
Reserve for revaluation of property and equipment		83	83
Retained earnings/(accumulated deficit)		2,831	(472)
Total equity		**26,843**	**23,540**
Liabilities			
Insurance contract liabilities	15	31,668	27,426
Claims payable	16	5,791	2,914
Current income tax liabilities		1,047	–
Borrowings	17	7,450	5,966
Other liabilities	18	4,710	4,773
Total liabilities		**50,666**	**41,079**
Total equity and liabilities		**77,509**	**64,619**

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

General Director
Givi Giorgadze

Deputy CEO (Finance, IT, Underwriting and optimization)
Nodar Gelovani

Tbilisi, Georgia
15 April 2020

The note on page 9-38 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(In thousands of GEL)

	Notes	2019	2018
Gross earned premiums on insurance contracts	20	75,355	55,154
Interest Income	21	1,427	1,161
Other operating income	22	1,562	787
Total revenue		**78,344**	**57,102**
Net insurance benefits and claims paid		(57,755)	(42,980)
Net change in insurance contracts liabilities		(2,231)	1,133
Claim settlement expenses		(1,320)	(737)
Net insurance claims	23	**(61,306)**	**(42,584)**
Acquisition costs	24	(2,801)	(2,843)
Salaries and other employee benefits	25	(4,881)	(4,435)
General and administrative expenses	26	(1,526)	(1,577)
Depreciation and amortization expenses	9; 11	(1,101)	(759)
Impairment charge		(481)	(362)
Interest expense	21	(699)	(1,140)
Foreign exchange and translation gain		210	215
Other operating expenses		(99)	(90)
Other expenses		**(11,378)**	**(10,991)**
Profit before tax		**5,660**	**3,527**
Income tax expense	8	(856)	(579)
Net profit for the year		**4,804**	**2,948**
Other comprehensive income		-	-
Total comprehensive income for the year		**4,804**	**2,948**

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General Director

Givi Giorgadze

Deputy CEO (Finance, IT, Underwriting and optimization)

Nodar Gelovani

Tbilisi, Georgia

15 April 2020

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JSC "INSURANCE COMPANY IMEDI L"
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019
(In thousands of GEL)

	Share Capital	Additional paid-in capital	Reserve for revaluation of property and equipment	Retained Earnings	Total
31 December 2017	**4,170**	**9,759**	**83**	**(3,420)**	**10,592**
Total comprehensive income	–	–	–	2,948	**2,948**
Issue of share capital (Note 14)	3,333	6,667	–	–	**10,000**
31 December 2018	**7,503**	**16,426**	**83**	**(472)**	**23,540**
Total comprehensive income	–	–	–	4,804	**4,804**
Dividends declared (Note 14)	–	–	–	(1,500)	**(1,500)**
31 December 2019	**7,503**	**16,426**	**83**	**2,831**	**26,843**

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Nodar Gelovani

Tbilisi, Georgia
15 April 2020

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JSC "INSURANCE COMPANY IMEDI L"
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
(In thousands of GEL)

	2019	2018
Cash flows from operating activities		
Insurance premium received	74,842	57,199
Insurance benefits and claims paid	(56,537)	(39,860)
Acquisition costs paid	(2,487)	(2,547)
Salaries and benefits paid	(4,890)	(5,902)
Cash paid to other suppliers of goods and services	(2,135)	(1,474)
Interest received	905	647
Other operating expenses paid	(490)	(703)
Net cash flows from operating activities	**9,207**	**7,360**
Cash flows from investing activities		
Acquisition of additional investment securities	(5,708)	-
Purchase of property and equipment	(113)	(348)
Purchase of investment property	-	(9,352)
Purchase of intangible assets	-	(107)
Loan issued	-	(964)
Placement of amount due from credit institution	(12,088)	(8,769)
Withdrawal of amount due from credit institution	9,858	7,081
Net cash flows from used in investing activities	**(8,051)**	**(12,459)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares (note 14)	-	10,000
Proceeds from borrowings	6,940	10,786
Repayment of borrowings	(5,515)	(14,633)
Dividends paid (note 14)	(625)	-
Interest paid	(577)	(892)
Net cash flows from financing activities	**222**	**5,261**
Effect of exchange rates changes on cash and cash equivalents	(10)	(50)
Net increase in cash and cash equivalents	**1,369**	**112**
Cash and cash equivalents, 1 January	**1,625**	**1,513**
Cash and cash equivalents, 31 December	**2,994**	**1,625**

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15 April 2020

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