INSURANCE COMPANY TAO JSC

Financial Statements

for the year ended 31 December 2018

Together with

Independent Auditor's Report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Management is responsible for the preparation of the financial statements that present fairly the financial position of Insurance Company Tao JSC (the "Company") at 31 December 2018 and the results of its operations, cash flows, and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Company operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2018 were approved by management on 12 April 2019.

General Director

Chief Accountant

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Insurance Company Tao Joint Stock Company:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Insurance company Tao JSC (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Other information consists of the information included in the Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual 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 and we will not express any form of assurance conclusion thereon. 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 preliminary financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 entity' ability to continue as a going concern, including whether the use of the going concern basis of accounting is appropriate. The use of 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

The objectives of our audit 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements in the context of the applicable financial reporting framework. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on information available at the date of the auditor's report. However, future events or conditions may cause an entity 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 are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Nexia TA LLC

12 April 2019

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INSURANCE COMPANY TAO JSC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

(In thousands of Georgian Lari)

	Note	2018	2017
Gross premiums earned		6,002	44
Net change in unearned premium reserve		(2,073)	48
Reinsurers' share of earned premiums		(6)	371
Net insurance revenue	4	**3,923**	**463**
Finance income	5	760	681
Other insurance income		97	26
Total revenue		**4,780**	**1,170**
Gross benefits and claims paid	6	(811)	(36)
Commission (expenses)/reversal		(174)	(1)
Impairment expense		(5)	10
Change in insurance contract liabilities and reinsurance assets	7	(475)	103
Net insurance claim		**3,315**	**1,246**
General and administrative expenses	8	(367)	(89)
Exchange rate movement effect on foreign currency operations		106	(1)
Other income		14	-
Profit before tax		**3,068**	**1,156**
Income tax expense	9	(466)	(169)
Net profit for the year		**2,602**	**987**

Approved for issue and signed on behalf of the Management on 12 April 2019.

General Director

Chief Accountant

Notes on pages 10-20 are the integral part of these financial statements.

INSURANCE COMPANY TAO JSC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2018
(In thousands of Georgian Lari)

	Note	As at 31 December 2018	As at 31 December 2017
Assets			
Cash and cash equivalents	10	654	117
Amounts due from credit institutions	11	6,349	5,306
Insurance receivable	13	2,220	67
Accounts Receivable		40	22
Loan issued	14	3,338	1,889
Finance assets	15	200	-
Prepayment	16	156	4
Deferred acquisition costs		64	-
Reinsurance assets		4	-
Intangible assets		1	1
Total Assets		**13,026**	**7,406**
Liabilities			
Reinsurance payable		9	-
Other liabilities	17	534	95
Insurance contracts liabilities	18	2,696	126
Total Liabilities		**3,239**	**221**
Equity			
Share capital	12	2,500	2,500
Prior year's retained earnings		4,685	3,698
Current year's profit		2,602	987
Total Equity		**9,787**	**7,185**
Total Liabilities and Equity		**13,026**	**7,406**

Approved for issue and signed on behalf of the Management on 12 April 2019.

General Director

Chief Accountant

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INSURANCE COMPANY TAO JSC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(In thousands of Georgian Lari)

	Share Capital (Note 12)	Retained Earnings	Total
31 December 2016	**2,500**	**3,698**	**6,198**
Profit for the year	-	987	987
31 December 2017	**2,500**	**4,685**	**7,185**
Profit for the year	-	2,602	2,602
31 December 2018	**2,500**	**7,287**	**9,787**

Approved for issue and signed on behalf of the Management on 12 April 2019.

General Director

Chief Accountant

INSURANCE COMPANY TAO JSC
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2018
(In thousands of Georgian Lari)

	2018	2017
Cash flows from operating activities		
Insurance premium received	3,640	110
Insurance benefits and claims paid	(721)	(36)
Proceeds from regress and salvage	42	-
Salaries and benefits paid	(62)	(32)
Acquisition costs paid	(124)	(1)
Audit and Consulting	(7)	(19)
Tax paid except income tax	(9)	(1)
Cash paid to other suppliers of goods and services	(54)	(6)
Net cash flows from operating activities before income tax	**2,705**	**15**
Income tax paid	(194)	(69)
Net cash flows from/(used in) operating activities	**2,511**	**(54)**
Cash flows used in investing activities		
Loan issued	(3,909)	(419)
Repayment of loan	1,929	1,122
Percent received from deposit	484	531
Percent received from current account	25	-
Percent received from loan	608	9
Proceeds from other investing activities	(448)	(14)
Proceeds from receiving of promissory notes and interests	331	173
Net cash flows from/(used in) investing activities	**(980)**	**1,402**
Cash flows from financing activities		
Net increase in cash and cash equivalents	**1,531**	**1,348**
Cash and cash equivalents, 1 January	5,073	3,725
Cash and cash equivalents, 31 December	**6,604**	**5,073**

Approved for issue and signed on behalf of the Management on 12 April 2019.

General Director

Chief Accountant

Notes on pages 10-20 are the integral part of these financial statements.

1. General Information

Insurance Company Tao (the "Company") is a joint stock company domiciled in, and registered under the laws of Georgia. The Company was founded on August 22, 2007 and provides different insurance services in Georgia. The Company's legal address is Chavchavadze Avenue N 20, Tbilisi, Georgia.

As at 31 December 2018 and 31 December 2017, the shareholder of the Company is Insurance Company Aldagi – 100%, owned by Georgia Capital plc. (incorporated in the United Kingdom) as at 31 December, 2018 and BGEO group plc. as at 31 December, 2017.

2. Summary of Significant Accounting Policies

2.1. Basis of preparation

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 2018.

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

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

2.2. Application of new and amended standards

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

- In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time. During 2017, the company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015. During

2018, there had been no significant change in the activities of the company that requires reassessment. The company intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

- IFRS 17 Insurance Contracts (issued in May 2017) - The Standard that replaces IFRS 4, effective for annual periods beginning on or after 1 January 2021 (earlier application permitted only if IFRS 9 and IFRS 15 also applied), requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts, giving a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

2.3. Insurance revenue and expenses recognition

2.3.1. Gross premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums (Note 2.8).

2.3.2. Reinsurance premiums

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

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

2.3.3. Insurance claims

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

2.4. Impairment of non-financial assets

The Company assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognised immediately in profit or loss.

2.6. Financial instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs (which is recognised in profit or loss).

Subsequent measurement of financial assets depends on their classification on initial recognition. During the reporting period, the Company classified its financial assets as loans and receivables. They are subsequently measured at amortised cost using the effective interest rate method (except for short-term receivables where interest is immaterial), less provision for impairment. Indicators of impairment are assessed at each reporting date. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Typically trade and other receivables, bank balances and cash are classified in this category.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. During the reporting period, the Company did not classify any financial liabilities as held for trading or designated as at fair value through profit or loss. All the other financial liabilities (trade and other payables and borrowings) are carried at amortised cost using the effective interest method. Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

A financial liability is removed from the Company's statement of financial position only when the liability is discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction. To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account.

Dividends are recognised as liabilities when they are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity). Interim dividends are recognised when paid.

2.6.1. Insurance receivables

Insurance receivables are financial assets consisting of earned (past due) insurance premium receivable and unearned premiums receivable.

2.6.2. Reinsurance assets

Reinsurance assets represent the reinsurer's share in liabilities from insurance contracts (Note 2.8).

2.7. Liabilities from insurance contracts

Insurance contract liabilities include the outstanding claims provision and the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported (RBNS) or not (IBNR), together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. IBNR is calculated at the reporting date in accordance with the state regulation: 5% of annual gross premiums for all types of insurance contracts other than medical (health) and 2% of annual gross premiums for medical (health) insurance. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

(In Thousands of Georgian Lari)

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

2.7.1. Liability adequacy test

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency.

2.8. Foreign currencies

Foreign currency monetary assets and liabilities are translated into the functional currency of the Company (Georgian Lari, "GEL") using the exchange rates officially published by the National Bank of Georgia at the reporting date:

	USD/GEL	EUR/GEL
Exchange rate as at 31 December 2018	2.6766	3.0701
Average rate for the year ended 31 December 2018	2.5345	2.9913
Exchange rate as at 31 December 2017	2.5922	3.1044
Average rate for the year ended 31 December 2017	2.5086	2.8322

Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

2.9. Income tax

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

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

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

Deferred tax assets are recognised only to the extent that the Company considers that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Company's intention is to settle the amounts on a net basis.

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

2.10. Provisions

Where, at the reporting date, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

2.11. Prepayment

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company.

Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss for the year.

2.12. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

2.13. Joint Arrangements: Joint Operation

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

3. Accounting Estimates and Judgments

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

(In Thousands of Georgian Lari)

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

For general 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. Insurance claims provisions are not discounted for the time value of money.

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

4. Net Insurance Revenue

Net insurance revenue of the Company for financial years 2018 and 2017 comprises of following:

	2018	**2017**
Motor Own Damage	3,806	(4)
Compulsory MTPL	1,858	-
Motor Third Part Liability	296	10
Motor Personal Accident	32	-
Credit Life&Disabity	8	33
Credit liability	1	2
Household GTPL	1	3
Total	**6,002**	**41**
Net change in unearned premium reserve	(2,073)	48
Reinsurers’ share of earned premiums	(6)	371
Net insurance revenue	**3,923**	**460**

5. Finance Income

Finance income comprises:

	2018	**2017**
Finance income from deposit	533	503
Finance income from loan issued	177	171
Interest income from Promissory Notes	25	-
Other finance income	25	7
Total	**760**	**681**

6. Gross Benefits and Claim Paid

Gross benefit and claim comprises:

	2018	**2017**
Claim for Motor Own Damage	646	36

(In Thousands of Georgian Lari)

Claim for Motor Third Part Liability	105	-
Claim for Compulsory MTPL	60	-
Total	**811**	**36**

7. Change in Liabilities from Insurance Contracts

	2018	**2017**
Change in Provisions for claims reported by policyholders (RBNS)	(476)	99
Change in Provisions for claims incurred but not reported (IBNR)	1	4
Total	**(475)**	**103**

8. General and Administrative Expenses

The Company's general and administrative expenses for financial years 2018 and 2017 comprise of following:

	2018	**2017**
Membership fee	204	-
Wages and salaries	81	53
Audit expenses	14	6
Rent	12	12
Bank expenses	3	2
Insurance	2	-
Other expenses	51	16
Total	**367**	**89**

9. Income Tax

The movement in deferred tax asset amounted to 52 thousand due to temporary changes. The company does not recognize the deferred income tax asset as it believes that this asset cannot be used until 2023. From January 1, 2023, the corporate income tax company will be transferred to a new model, which will no longer have the difference between the financial profit and the tax profit, therefore, the deferred taxe will not be applicable.

10. Cash and Cash Equivalents

	31 December, 2018	**31 December, 2017**
Cash at bank in GEL	654	117
Total	**654**	**117**

11. Amounts due from Credit Institutions

	31 December, 2018	**31 December, 2017**
Bank deposits in GEL	5,950	4,956
Bank deposits interest in GEL	399	350
Total	**6,349**	**5,306**

Amounts due from credit institutions are represented by short-term and long-term placements and earn annual interest of 9% to 11,5%.

12. Share Capital

Share capital consists of 2,500,000 ordinary shares with a nominal value of GEL 1 (one) each. Shareholders are presented in Note 1 *General Information*.

(In Thousands of Georgian Lari)

13. Insurance Receivable

Insurance receivables as of the end of the period comprise:

	31 December, 2018	31 December, 2017
Insurance receivable	2,998	816
Impairment reserve	(778)	(749)
Total	**2,220**	**67**

14. Loan Issued

	31 December, 2018	31 December, 2017
Loan issued	3,327	1,448
Interest receivable	11	441
Total	**3,338**	**1,889**

The company has an issued loan to the related party which equals to 3,000 GEL as at 31/12/2018 (0 GEL as at 31/12/2017). The annual interest rate is 11% and the maturity date is 18 December, 2018. Information regarding transactions with the related parties is given in the note 21.

15. Other Finance Assets

	31 December, 2018	31 December, 2017
Promissory Notes	200	-
Total	**200**	**-**

Other finance assets are presented by one-year promissory note from the microfinance organization, earn annual interest of 13% and the maturity date is 13 September, 2019.

16. Prepayments

	31 December, 2018	31 December, 2017
Membership fee prepayment	112	-
Salary prepayment	20	4
Other prepayment	24	-
Total	**156**	**4**

17. Other Liabilities

	31 December, 2018	31 December, 2017
Commission payable	116	47
Payable of service received	94	13
Income tax payable	277	5
Personal income tax payable	47	22
Advances received	-	8
Total	**534**	**95**

18. Insurance Contract Liability

	31 December, 2018	31 December, 2017
Unearned premium reserves	2,163	69
Reported but not settled	530	55
Incurred but not reported	3	2
Total	**2,696**	**126**

19. 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 are greater than originally estimated and subsequent development of long term claims.

The variability of risks is improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The Company establishes underwriting guidelines and limits, which stipulate who may accept what risks and the applicable limits. These limits are continuously monitored. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company.

For general insurance contracts the most significant risks arise from climate changes and natural disasters. For healthcare contracts the most significant risks arise from lifestyle changes, epidemic and so on. These risks vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry. Undue concentration by amounts can have a further impact on the severity of benefit payments on a portfolio basis.

Claims on insurance contracts are payable on a claims-occurrence basis. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the insured sector and the risk management procedures they adopted. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims reserve, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a reserve for IBNR and a reserve for reported claims not yet settled.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available.

At the end of each reporting period the Company assess whether its recognized insurance liabilities are adequate: the Company determines whether the amount of recognized insurance liabilities is less than the carrying amount that would be required if the relevant insurance liabilities were within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. If it is less, the insurer will recognize the entire difference in profit or loss and increase the carrying amount of the relevant insurance liabilities.

20. Financial Risk

In performing its operating, investing and financing activities, the Company is exposed to the following financial risks:

- Credit risk: the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the Company.
- Liquidity risk: the risk that the Company may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.
- Market risk: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. However, this risk was immaterial for the Company in the reporting period.

All financial risk management activities are carried out on a prudent and consistent basis and following the best market practices.

The following table summarizes the carrying amount of financial assets and financial liabilities recorded by category.

(In Thousands of Georgian Lari)

Financial assets	**31 December, 2018**	**31 December, 2017**
Insurance receivables	2,220	67
Amounts due from credit institutions	6,349	5,306
Cash and cash equivalents	654	117
Accounts receivable	40	22
Loan issued	3,338	1,889
Total	**12,601**	**7,401**

Financial liabilities	**31 December, 2018**	**31 December, 2017**
Reinsurance payable	9	-
Liabilities from insurance contracts (net RBNS and IBNR)	533	57
Other liabilities	534	96
Total	**1,076**	**153**

Credit Risk

The Company controls its exposure to credit risk by dealing only with creditworthy counterparties.
The maximum credit risk to which the Company is exposed is summarized in the following table.

	31 December, 2018	**31 December, 2017**
Insurance receivables	2,220	67
Amounts due from credit institutions	6,349	5,306
Cash on current accounts with banks	654	117
Accounts receivable	40	22
Loan issued	3,338	1,889
Total	**12,601**	**7,401**

Liquidity Risk - Financial liabilities' maturity analysis

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated. The Company manages liquidity through a company liquidity risk policy which determines what constitutes liquidity risk for the company; The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and the maturity of debt securities. The maturity analysis of financial liabilities as at 31 December 2018 and 1 January 2018 are as follows:

31 December, 2018	**Up to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Financial assets				
Insurance receivables	2,220	-	-	2,220
Amounts due from credit institutions	6,349	-	-	6,349
Cash and cash equivalents	654	-	-	654
Accounts receivable	40	-	-	40
Loan issued	-	3,338	-	3,338
Total financial assets	**9,263**	**3,338**	**-**	**12,601**
Financial liabilities				
Reinsurance payable	9	-	-	9

(In Thousands of Georgian Lari)

Liabilities from insurance contracts (net RBNS and IBNR)	2,696	-	-	2,696
Other liabilities	534	-	-	534
Total financial liabilities	**3,239**	**-**	**-**	**3,239**

31 December, 2017	Up to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets				
Insurance receivables	67	-	-	67
Amounts due from credit institutions	5,306	-	-	5,306
Cash and cash Equivalents	117	-	-	117
Accounts receivable	22	-	-	22
Loan issued	-	1,889	-	1,889
Total financial assets	**5,512**	**1,889**	**-**	**7,401**
Financial liabilities				
Reinsurance payable	-	-	-	-
Liabilities from insurance contracts (net RBNS and IBNR)	126	-	-	126
Other liabilities	95	-	-	95
Total financial liabilities	**221**	**-**	**-**	**221**

21. Related Parties

Related party transactions	Relationship	2018	2017
Net premium	Entities under common control	662	1
Interest income	Entities under common control	170	162
Total		**832**	**163**

Balances of related party	Relationship	31 December, 2018	31 December, 2017
Loans issued to related parties	Entities under common control	3,327	1,571
Insurance contracts liabilities	Entities under common control	477	29
Insurance receivable	Entities under common control	1,035	50
Total		**4,839**	**1,650**

Transaction of key management personnel	2018	2017
Salaries and other short-term employee benefits	8	8
Total	**8**	**8**

Balances with key management personnel	December 31, 2018	December 31, 2017
Loan issued	327	319
Total	**327**	**319**

The above transactions were made on the same terms as equivalent transactions with unrelated parties.

22. Events after Reporting Period

These financial statements were authorized for issue by the management on 12 April 2019.

There have been no subsequent events that need to be disclosed in the financial statements.