INSURANCE GROUP OF GEORGIA JSC

Financial statements

for the year ended 31 December 2018

Together with

Independent Auditor's Report

CONTENTS

These financial statements are presented in Georgian Lari ("GEL").

Decimal symbol is dot (".") and digit-grouping symbol is comma (",").

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 Group of Georgia 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 Georgia;
- 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 11 April 2019.

On behalf of the Management Board:

Archil Morchiladze	Lasha Robakidze
General Director	Chief Accountant

Nexia TA

Member of Nexia International

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Insurance Group of Georgia Joint Stock Company:

Opinion

We have audited the financial statements of Insurance Group of Georgia 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, 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 Management Report other that the financial statements and our auditor's report thereon. Management is responsible for the other information. 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 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 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 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

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.

12, Aleksidze str. | King David Business Center | Tbilisi 0171 Georgia | ალექსიძის ქ.12 | ბიზნეს ცენტრი კინგ დევიდი | თბილისი 0171 საქართველო | T: +995 32 25 606 25 | info@nexia.ge | www.nexia.ge

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.
- 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

On behalf of Nexia TA LLC

Malkhaz Ujmajuridze

11 April 2019

12, Aleksidze str. | King David Business Center | Tbilisi 0171 Georgia | ალექსიძის ქ.12 | ბიზნეს ცენტრი კინგ დევიდი | თბილისი 0171 საქართველო | T: +995 32 25 606 25 | info@nexia.ge | www.nexia.ge

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
Gross earned premiums		14,542,221	5,266,990
Premiums ceded to reinsurers		(2,324,365)	(22,068)
Net premiums		**12,217,856**	**5,244,922**
Changes in unearned premium reserve		(1,414,955)	(3,828,730)
Changes in unearned premium reserve ceded to reinsurers		170,280	15,000
Net insurance revenue	4	**10,973,181**	**1,431,192**
Interest income from bank deposits	14	389,742	183,362
Commission income	5	744,736	2,767
TOTAL REVENUE		**12,107,659**	**1,617,321**
Insurance claims paid	6	(8,999,126)	(507,166)
Claims ceded to reinsurers	6	1,164,842	-
Changes in other insurance reserves	10	(1,333,294)	(339,782)
Changes in other insurance reserves ceded to reinsurers	10	439,791	-
Claims handling expenses		(61,599)	-
Income from subrogation and recoveries		165,447	-
Net insurance claims		**(8,623,939)**	**(846,948)**
Commission expenses		(37,689)	-
General and administrative expenses	7	(1,844,382)	(357,180)
Interest expense		(4,417)	-
Other income and expenses, net		30,843	-
Net foreign exchange gain / (loss)		(1,789)	(128)
PROFIT BEFORE TAX		**1,626,286**	**413,065**
Income tax expense	8	(243,943)	(56,926)
PROFIT FOR THE YEAR		**1,382,343**	**356,139**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,382,343**	**356,139**

Approved for issue and signed on behalf of the Management on 11 April 2019.

Archil Morchiladze
General Director

Vasil Gomurashvili
Financial Director

The accompanying notes on pages 8 – 25 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December, 2018	31 December, 2017
ASSETS			
Property and equipment	9	160,746	63,389
Reinsurance assets	10	625,071	15,000
Reinsurance receivables	11	1,961,965	-
Other assets	12	205,213	3,473
Insurance premium receivable	13	6,355,107	4,232,313
Amounts due from credit institutions	14	4,342,450	2,215,772
Cash and cash equivalents	14	1,288,850	533,058
TOTAL ASSETS		**14,939,402**	**7,063,005**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	3,180,100	2,200,100
Retained earnings		1,738,482	356,139
		4,918,582	**2,556,239**
Liabilities			
Liabilities from insurance contracts	10	6,916,761	4,168,512
Reinsurance premium payable	11	2,253,851	13,861
Deferred commission income from reinsurance contracts	5	49,621	5,440
Deferred income tax liability	8	31,375	-
Borrowings	16	384,077	-
Trade and other payables	17	180,471	262,027
Current income tax liability	8	204,664	56,926
		10,020,820	**4,506,766**
TOTAL EQUITY AND LIABILITIES		**14,939,402**	**7,063,005**

Approved for issue and signed on behalf of the Management on 11 April 2019.

Archil Morchiladze
General Director

Vasil Gomurashvili
Financial Director

The accompanying notes on pages 8 – 25 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital (Note 15)	Retained earnings	Total equity
Balance at 1 January 2017	-	-	-
Issue of ordinary shares	2,200,100	-	2,200,100
Total comprehensive income for the year	-	356,139	356,139
Balance as at 31 December 2017	**2,200,100**	**356,139**	**2,556,239**
Issue of ordinary shares	980,000	-	980,000
Total comprehensive income for the year	-	1,382,343	1,382,343
Balance as at 31 December 2018	**3,180,100**	**1,738,482**	**4,918,582**

Approved for issue and signed on behalf of the Management on 11 April 2019.

Archil Morchiladze
General Director

Vasil Gomurashvili
Financial Director

The accompanying notes on pages 8 – 25 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
Cash flows from operating activities		
Receipts from customers	11,813,470	1,192,255
Payments to reinsurers	(42,256)	-
Payments for insurance claims, net of subrogation and recoveries	(8,885,771)	(507,166)
Other payments	(1,623,031)	(272,914)
Net cash flow generated from operations	**1,262,412**	**412,175**
Cash flow from investing activities		
Purchase of property, plant and equipment	(127,555)	(43,206)
Purchase of intangible assets	-	(3,473)
Interest received	363,064	167,690
Net cash from investing activities	**235,509**	**121,011**
Cash flows from financing activities		
Proceeds from issue of shares	980,000	2,200,100
Proceeds from borrowings, net	379,660	-
Net cash from financing activities	**1,359,660**	**2,200,100**
Net increase in cash and cash equivalents	2,857,581	2,733,286
Effect of exchange rate changes	(1,789)	(128)
Cash and cash equivalents at beginning of period	**2,733,158**	-
Cash and cash equivalents at end of period	**5,588,950**	**2,733,158**
Comprising:		
Cash and cash equivalents	1,288,850	533,058
Amounts due from credit institutions	4,342,450	2,215,772
Total per the statement of financial position	**5,631,300**	**2,748,830**
Less accrued interest	(42,350)	(15,672)
Total for the statement of cash flow purposes	**5,588,950**	**2,733,158**

Approved for issue and signed on behalf of the Management on 11 April 2019.

Archil Morchiladze
General Director

Vasil Gomurashvili
Financial Director

The accompanying notes on pages 8 – 25 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Insurance Group of Georgia (the "Company") is a joint stock company domiciled in, and registered under the laws of Georgia. The Company was founded in May 2017 and provides different insurance services in Georgia (see Note 3). The registered office of the Company is 4 Marijani street, Tbilisi.

The shareholders of the Company as at 31December, 2018 and 31 December, 2017 are:

Archil Morchiladze	51%
Clinic NewMedi Ltd	49%
	100%

100% of Clinic NewMedi Ltd is owned by Khatuna Morchiladze.

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 statement of financial position format is in order of liquidity.

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 (eg 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 adopted all of the new or amended Accounting Standards and Interpretations issued by IASB that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. This refers to IFRS 9 *Financial Instruments* – the Group used temporary exemption of its adoption (see below).

The following Accounting Standards and Interpretations are most relevant to the Company:

- Amendments to IFRS 4 titled *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued in September 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, give all insurers the option to recognise in other comprehensive income, rather than in profit or loss, the volatility that could arise when IFRS 9 is applied before implementing IFRS 17 ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying IFRS 9, thus continuing to apply IAS 39 instead ('the deferral approach').

- IFRS 9 *Financial Instruments* (issued in July 2014) – For the Company this standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2021. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
  - IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
  - For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
  - For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
  - For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
  - The derecognition provisions are carried over almost unchanged from IAS 39.

- 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. Property, plant and equipment

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

• Leasehold improvements	15% reducing balance
• Warehouse building	5% reducing balance
• Computers and other technical equipment	20% reducing balance
• Furniture and office equipment	20% reducing balance
• Other	20% reducing balance

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5. Intangible assets

Intangible assets acquired separately are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a reducing balance basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortised using rate of 15%. Amortisation periods and methods are reviewed annually and adjusted if appropriate.

2.6. 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.

2.7. 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 (ie 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 realise 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 (ie the dividends are appropriately authorised and no longer at the discretion of the entity). Interim dividends are recognised when paid.

2.7.1. Assets related to insurance

- Insurance premium receivable is the sum of earned (past due) and unearned premiums receivable.
- Reinsurance receivable is the reinsurer's share in claims payable or paid and commissions receivable from reinsurers.
- Reinsurance assets represent the reinsurer's share in liabilities from insurance contracts.
- Subrogation receivable is the fair value of recoveries receivable from third parties to reimburse some or all costs of insurance claims.

2.8. 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.

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.

2.8.1. 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.

2.9. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in profit or loss, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.10. 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	2.68	3.07
Average rate for the year ended 31 December 2018	2.53	2.99
Exchange rate as at 31 December 2017	2.59	3.10
Average rate for the year ended 31 December 2017	2.51	2.83

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.

2.11. 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 (ie 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.

2.12. 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.

2.13. Equity

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 (ie the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders' Annual General Meeting. Interim dividends are recognised when paid.

2.14. 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 Group is a joint operator in a joint operation, it recognises 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.

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 and for some type of policies, IBNR claims form the majority of the statement of financial position insurance liability. General insurance claims provisions are not discounted for the time value of money.

4. Net insurance revenue

	2018			2017		
	Gross premiums	Premiums ceded to reinsurers	Net premiums	Gross premiums	Premiums ceded to reinsurers	Net premiums
Medical (Health)	9,059,030	-	9,059,030	5,227,379	-	5,227,379
Casco	3,077,284	(1,974,473)	1,102,811	16,864	(11,805)	5,059
MTPL Compulsory	1,859,142	-	1,859,142	-	-	-
Motor TPL	201,996	(139,437)	62,559	802	(561)	241
Property	106,991	(85,593)	21,398	5,962	(4,769)	1,193
Personal Accident	75,376	(46,586)	28,790	57	(40)	17
Aviation Transport	59,918	(42,574)	17,344	-	-	-
Suretyships	38,344	-	38,344	8,802	-	8,802
Cargo	30,634	(22,502)	8,132	6,989	(4,893)	2,096
Aviation TPL	18,577	(13,200)	5,377	-	-	-
Travel	12,229	-	12,229	135	-	135
Third Party Liability	2,700	-	2,700	-	-	-
	14,542,221	**(2,324,365)**	**12,217,856**	**5,266,990**	**(22,068)**	**5,244,922**
Changes in unearned premium reserves	(1,414,955)	170,280	(1,244,675)	(3,828,730)	15,000	(3,813,730)
Net insurance revenue	**13,127,266**	**(2,154,085)**	**10,973,181**	**1,438,260**	**(7,068)**	**1,431,192**

Compulsory insurance of Motor Third Party Liability refers to compulsory insurance of motor transport registered in foreign countries and moving in Georgia. It is administered by Compulsory Insurance Center ("CIC", Non-Commercial Legal Entity). The Center started functioning on 1 March 2018 in accordance with Georgian legislation. Compulsory insurance of MTPL is a joint operation where 17 insurance companies operating in Georgia (including the Company) are joint operators and share the insurance revenue and risks equally.

Unearned premium reserve is disclosed in Note 10.

5. Commission income

	2018	2017
Gross commission income	788,917	8,207
Commission income deferred	(49,621)	(5,440)
Amortization of prior period income deferred	5,440	-
Commission income	**744,736**	**2,767**

Movement of deferred commission income:

	2018	2017
At 1 January	**5,440**	**-**
Gross commission income	788,917	8,207
Amortization	(744,736)	(2,767)
At 31 December	**49,621**	**5,440**

6. Insurance claims paid

	2018			2017		
	Paid	Ceded to reinsurers	Net payment	Paid	Ceded to reinsurers	Net payment
Medical (Health)	7,163,027	-	7,163,027	507,166	-	507,166
Casco	1,627,334	(1,063,483)	563,851	-	-	-
Motor TPL	143,156	(100,209)	42,947	-	-	-
MTPL Compulsory	59,776	-	59,776	-	-	-
Suretyships	4,150	-	4,150	-	-	-
Personal Accident	1,641	(1,150)	491	-	-	-
Travel	42	-	42	-	-	-
	8,999,126	**(1,164,842)**	**7,834,284**	**507,166**	**-**	**507,166**

7. General and administrative expenses

	2018	2017
Employee compensation	1,099,752	245,522
CIC membership fee	285,541	-
Rent	69,082	21,111
Marketing expenses	50,333	31,570
Office expenses	36,008	3,489
Communication and utilities	33,905	5,322
Other	269,761	50,166
	1,844,382	**357,180**

8. Income tax

Income tax expense:

	2018	2017
Current income tax	135,277	16,964
Income tax provision	77,291	39,962
Deferred income tax	31,375	-
	243,943	**56,926**

The income tax expense for the year can be reconciled to the profit for the year as follows:

	2018	2017
Profit before tax	1,626,286	413,065
Tax thereon at 15%	**243,943**	**61,960**
Temporary differences	(31,375)	(5,034)
Income tax expense	**212,568**	**56,926**
	13%	14%

Deferred tax liability comprises temporary differences attributable to:

	2018	2017
Property and equipment	14,604	-

Subrogation receivable	16,771	-
	31,375	-

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. For insurance companies the law should have been effective for tax periods starting after 1 January 2019. However according to the latest amendments, it has been postponed for 4 years. Therefore, the Group recognized deferred income taxes as at 31 December 2018.

Current income tax payable: as at December 2018 and 2017 can be presented as follows:

	31 December 2018	31 December 2017
Current income tax	152,241	16,964
Income tax provision	117,253	39,962
Income tax paid	(64,830)	-
	204,664	**56,926**

9. Property, Plant and Equipment

	Leasehold improvements	Warehouse building	Computers and other technical equipment	Furniture and office equipment	Other	Total
Cost						
At 1 January 2017	-	-	-	-	-	-
Additions	30,362	-	14,287	8,741	12,880	66,270
At 31 December 2017	**30,362**	-	**14,287**	**8,741**	**12,880**	**66,270**
Additions	530	26,906	66,758	14,977	9,408	118,579
At 31 December 2018	**30,892**	**26,906**	**81,045**	**23,718**	**22,288**	**184,849**
Accumulated depreciation						
At 1 January 2017	-	-	-	-	-	-
Depreciation	537	-	924	158	1,262	2,881
At 31 December 2017	**537**	-	**924**	**158**	**1,262**	**2,881**
Depreciation	4,581	673	9,702	2,984	3,282	21,222
At 31 December 2018	**5,118**	**673**	**10,626**	**3,142**	**4,544**	**24,103**
Net carrying amount						
At 31 December 2017	**29,825**	-	**13,363**	**8,583**	**11,618**	**63,389**
At 31 December 2018	**25,774**	**26,233**	**70,419**	**20,576**	**17,744**	**160,746**

Depreciation has been charged entirely to general and administrative expenses that are presented in Note 7.

10. Liabilities from insurance contracts and reinsurance assets

	31 December, 2018	31 December, 2017
Unearned premium provision	5,243,685	3,828,730
Provisions for claims reported by policyholders (RBNS)	1,333,954	234,357
Provisions for claims incurred but not reported (IBNR)	339,122	105,425
Liabilities from insurance contracts	**6,916,761**	**4,168,512**

Reinsurers' share in the liabilities from insurance contracts were as follows:

	31 December, 2018	31 December, 2017
Reinsurers' share in unearned premium provision	185,280	15,000
Reinsurers' share in RBNS	439,791	-
Reinsurers' share in IBNR	-	-
Reinsurance assets	**625,071**	**15,000**

Liabilities from insurance contracts net of reinsurance were as follows:

	31 December, 2018	31 December, 2017
Unearned premium provision	5,058,405	3,813,730
Provisions for claims reported by policyholders (RBNS)	894,163	234,357
Provisions for claims incurred but not reported (IBNR)	339,122	105,425
Net liabilities from insurance contracts	**6,291,690**	**4,153,512**

Analysis of movements in liabilities from insurance contracts and reinsurance assets were as follows.

(a) Provision for unearned premium (UPR):

	2018	2017
Balance at 1 January	**3,828,730**	**-**
Gross written premium	14,542,221	5,266,990
Gross earned premium	(13,127,266)	(1,438,260)
Balance at 31 December	**5,243,685**	**3,828,730**

	2018	2017
Balance at 1 January	**15,000**	**-**
Reinsurer's share of gross written premium	2,324,365	22,068
Gross reinsurer's earned premium	(2,154,085)	(7,068)
Balance at 31 December	**185,280**	**15,000**

UPR, net:

	2018	2017
Balance at 1 January	**3,813,730**	**-**
Net written premium	12,217,856	5,244,922
Net earned premium	(10,973,181)	(1,431,192)
Balance at 31 December	**5,058,405**	**3,813,730**

(b) Provisions for claims (RBNS and IBNR):

	2018	2017
Balance of reported but not settled claims at 1 January	234,357	-
Balance of incurred but not reported at 1 January	105,425	-
Total provisions for claims at 1 January	**339,782**	**-**
Claims incurred during the period	10,332,420	846,948
Claims paid during the period	(8,999,126)	(507,166)
Changes in other insurance reserves	**1,333,294**	**339,782**
Balance of reported but not settled claims at 31 December	1,333,954	234,357
Balance of incurred but not reported at 31 December	339,122	105,425
Total provisions for claims at 31 December	**1,673,076**	**339,782**

Reinsurers' share in RBNS:

	2018	2017
Balance of reported but not settled claims at 1 January	-	-
Balance of incurred but not reported at 1 January	-	-
Total provisions for claims at 1 January	-	-
Claims incurred during the year	1,604,633	-
Claims paid during the year	(1,164,842)	-
Changes in other insurance reserves	**439,791**	**-**
Balance of reported but not settled claims at 31 December	439,791	-
Balance of incurred but not reported at 31 December	-	-
Total provisions for claims at 31 December	**439,791**	**-**

Net RBNS and IBNR:

	2018	2017
Balance of reported but not settled claims at 1 January	234,357	-
Balance of incurred but not reported at 1 January	105,425	-
Total provisions for claims at 1 January	**339,782**	**-**
Claims incurred during the period	8,727,787	846,948
Claims paid during the period	(7,834,284)	(507,166)
Changes in other insurance reserves	**893,503**	**339,782**
Balance of reported but not settled claims at 31 December	894,163	234,357
Balance of incurred but not reported at 31 December	339,122	105,425
Total provisions for claims at 31 December	**1,233,285**	**339,782**

11. Reinsurance

	31 December, 2018	31 December, 2017
Reinsurance premium payable	2,253,851	13,861
Reinsurance receivables:		
Reinsurer's share in claims paid	(1,164,842)	-
Commissions receivable	(797,123)	-
Net payable to reinsurers	**291,886**	**13,861**

12. Other assets

	31 December, 2018	31 December, 2017
Subrogation receivable	111,804	-
Prepayments	83,231	-
Inventory	5,021	-
Intangible assets, net of amortisation	3,301	3,473
Deferred acquisition costs	1,856	-
	205,213	**3,473**

13. Insurance premium receivable

	31 December, 2018	31 December, 2017
Medical insurance premium receivable from Georgian Railway JSC	4,125,807	4,177,218
Medical insurance premium receivable from Tbilisi Transport Company Ltd	1,169,276	-
Casco insurance premium receivable from Patrol Police Department	560,179	-
Other insurance premium receivables	499,845	55,095
Total insurance premium receivable	**6,355,107**	**4,232,313**

There is no indication of impairment of insurance premium receivables.

There is no material difference between the fair value of insurance receivables and their carrying amount.

14. Cash and cash equivalents and amounts due from credit institutions

	31 December, 2018	31 December, 2017
Cash on current accounts with banks	1,286,951	531,649
Cash on hand	1,899	1,409
Cash and cash equivalents	**1,288,850**	**533,058**
Short term deposit at Finca Bank Georgia JSC	3,180,100	2,200,100
Short term deposit at TBC Bank JSC	100,000	-
Long term deposit at TBC Bank JSC.	1,020,000	-
Accrued interest	42,350	15,672
Amounts due from credit institutions	**4,342,450**	**2,215,772**
Total cash and amounts due from credit institutions	**5,631,300**	**2,748,830**

Interest income accrued on the bank deposits amounted GEL 389,742 for the year ended 31 December 2018 (2017:GEL 183,362).

There is no material difference between the fair value and the carrying amount of cash and cash equivalents and amounts due from credit institutions.

Short term deposits include restricted cash placed on bank accounts to conform to the requirement of regulatory legislation. The amount of mandatory reserves is depended on the amount of estimated outstanding claims (insurance liabilities).

15. Share capital

Share capital consists of the following amount of ordinary shares with a nominal value of GEL 1 each:

	31 December, 2018	31 December, 2017
Authorized ordinary shares	4,200,100	2,200,100
Unpaid	(1,020,000)	-
Fully paid share capital	**3,180,100**	**2,200,100**

Shareholders are presented in Note 1 *General Information*. For the requirements of regulatory legislation regarding capital refer to Note 18 *Risk Management*, paragraph of Capital Management.

16. Borrowings

Borrowings consist of a short-term loan in GEL from Archil Morchiladze (the shareholder of the Company), with annual interest of 12%.

17. Trade and other payables

	31 December, 2018	31 December, 2017
Payable to the State Supervisor	115,629	-
Payables to suppliers	51,506	26,294
Advances received (deposits to secure existing suretyships)	-	144,689
Other advances received	-	87,012
Other payables	13,336	4,032
	180,471	**262,027**

The carrying amount of trade and other payables is considered to be in line with their fair value at the reporting date.

18. 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 is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls. Everyone within the Company is accountable for the risk exposures relating to his or her responsibilities. The main financial risks inherent in 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 recognizes the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with terms of reference for the executive management board. Management board delegates to respective members of senior management responsibilities for overseeing compliance with established risk management policies.

The management board approves the Company risk management policies and 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 and reinsurance 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.

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 and access to funds available from financial institutions.
- 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. 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 and non-insurance business is to hold sufficient liquid assets to cover statutory requirements based on the regulatory directives.

Approach to capital management

The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated manner, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company.

The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous year.

Capital Management

The insurance sector in Georgia is regulated by the Insurance State Supervision Service of Georgia ("ISSSG"). The ISSSG imposes minimum capital requirements for insurance companies. These requirements are put in place to ensure sufficient solvency margins.

According to the ISSSG directive №27, issued on 25 December 2017, the minimum capital throughout the period should be not less than GEL 2,200 thousand and the Company should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances. The minimum capital requirement is GEL 4,200 thousand for the period from 31 December 2018 to 31 December 2020 and GEL 7,200 thousand thereafter.

The Company was in compliance with the capital requirements of ISSSG as at 31 December 2018 and 2017.

18.1. 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.

18.2. 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 summarises the carrying amount of financial assets and financial liabilities recorded by category.

Financial assets	**31 December, 2018**	**31 December, 2017**
Cash and cash equivalents	1,288,850	533,058
Amounts due from credit institutions	4,342,450	2,215,772
Insurance premium receivable	6,355,107	4,232,313
Reinsurance receivables	1,961,965	-
Subrogation receivable (other assets)	111,804	-
	14,060,176	**6,981,143**

Financial liabilities	**31 December, 2018**	**31 December, 2017**
Liabilities from insurance contracts (net RBNS and IBNR, Note 10)	1,233,285	339,782
Reinsurance premium payable	2,253,851	13,861
Trade and other payables	180,471	262,027
Current income tax liability	204,664	56,926
	3,872,271	**672,596**

18.2.1. 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 summarised in the following table.

	31 December, 2018	31 December, 2017
Cash on current accounts with banks	1,286,951	531,649
Amounts due from credit institutions	4,342,450	2,215,772
Insurance receivables	6,355,107	4,232,313
Reinsurance receivables	1,961,965	-
Subrogation receivable (other assets)	111,804	-
	14,058,277	6,979,734

18.2.2. Liquidity risk - Financial liabilities' maturity analysis

The Company manages liquidity risk on the basis of expected maturity dates. As at the reporting date all the financial liabilities were current.

At present, the Company expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Company expects the operating activity to generate sufficient cash inflows.

19. Related parties

	2018	2017
Amount of transactions:		
Medical (health) insurance claims paid to shareholder	1,585,738	256,670
Balance:		
Loan from shareholder	384,077	-

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

Compensation of key management personnel was as follows:

	2018	2017
Key management compensation	423,019	97,567

20. Events after the statement of financial position date

These financial statements were authorised for issue by the management on 11 April 2019.

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