“INTERNATIONAL INSURANCE COMPANY KAMARA” JSC

Financial Statements and
Independent Auditors’ Report

For the year ended December 31, 2018

“INTERNATIONAL INSURANCE COMPANY KAMARA” JSC

Contents

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 International insurance company Kamara 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 28 February, 2019.

On behalf of the Management Board:

General Director	**Finance Director**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of International insurance company Kamara Joint Stock Company:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of International insurance company Kamara 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.

Going Concern

The Company's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Company's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Company's ability to continue as a going concern.

Responsibilities of Management 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. 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Gela Mghebrishvili.

Nexia TA LLC
28 February, 2019

INTERNATIONAL INSURANCE COMPANY KAMARA JSC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Thousand Georgian Lari)

	Notes	December 31, 2018	December 31, 2017
Long-term Assets			
Property, Plant and Equipment	6	17	33
Intangible assets	7	47	58
Total Long-term Assets		**64**	**91**
Short-term Assets			
Amounts due from credit institutions	4	4,648	2,775
Cash and Cash Equivalents	5	270	127
Accounts Receivable		7	5
Prepayment	13	35	42
Reinsurance Assets	14	-	8
Insurance Receivable	9	319	13
Deferred Acquisition Costs	11	12	31
Tax assets		2	4
Total Short-term Assets		**5,293**	**3,005**
Total Assets		**5,357**	**3,096**
Short-term Liabilities			
Insurance contracts liabilities	12	405	191
Deferred tax liabilities (assets)	8	139	(91)
Accounts Payable	10	166	244
Total Short-term Liabilities		**710**	**344**
Total Liabilities		**710**	**344**
Equity			
Share capital	15	4,350	3,656
Additional paid-in capital	15	6	
Retained Earnings		291	(904)
Total Equity		**4,647**	**2,752**
Total Liabilities and Equity		**5,357**	**3,096**

On behalf of the Management:

General Director

February 28, 2019
Tbilisi, Georgia

Finance Director

February 28, 2019
Tbilisi, Georgia

Notes on pages 10-24 are the integral part of these financial statements.

INTERNATIONAL INSURANCE COMPANY KAMARA JSC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Thousand Georgian Lari)

	Notes	2018	2017
Gross premiums		2,885	531
Premiums ceded to reinsurers		(8)	(11)
Net premiums	**16**	**2,877**	**520**
Interest income	17	96	108
Income received by regression	18	194	50
Other income	23	9	15
Total revenue		**3,176**	**693**
Net change in insurance contracts liabilities	19	(25)	(31)
Gross benefits and claims paid	22	(342)	(53)
Net benefits and claims		**(367)**	**(84)**
Commission expenses	20	(430)	(125)
General and Administrative Expenses	21	(732)	(613)
Other expenses	24	(374)	(54)
F/X Effect on Foreign Currency	25	152	(52)
Profit before tax		**1,425**	**(235)**
Income tax expense		(230)	27
Net profit/(loss) for the year		**1,195**	**(208)**

On behalf of the Management:

General Director

February 28, 2019
Tbilisi, Georgia

Finance Director

February 28, 2019
Tbilisi, Georgia

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INTERNATIONAL INSURANCE COMPANY KAMARA JSC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Thousand Georgian Lari)

	Share capital	Additional paid-in capital	Retained Earnings	Total
31 December 2016	**3,500**	**109**	**(696)**	**2,913**
Issue of share capital	150	-	-	150
Taken out contribution from equity	-	(103)	-	(103)
Profit for the year	-	-	(208)	(208)
31 December 2017	**3,650**	**6**	**(904)**	**2,752**
Issue of share capital	700	-	-	700
Taken out contribution from equity	-	-	-	-
Profit for the year	-	-	1,195	1,195
31 December 2018	**4,350**	**6**	**291**	**4,647**

On behalf of the Management:

General Director

February 28, 2019
Tbilisi, Georgia

Finance Director

February 28, 2019
Tbilisi, Georgia

Notes on pages 10-24 are the integral part of these financial statements.

INTERNATIONAL INSURANCE COMPANY KAMARA JSC
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Thousand Georgian Lari)

	2018	2017
Cash flows from operating activities		
Insurance premium received	2,480	600
Regression received	170	42
Operating income received	(80)	35
Insurance benefits and claims paid	(282)	(72)
Acquisition costs paid	(318)	(96)
Salaries and benefits paid	(383)	(302)
Taxes paid	(189)	(119)
Other operating expenses paid	(307)	(254)
Net cash flows from operating activities	**1,091**	**(166)**
Cash flows used in investing activities		
Interest received	98	106
Purchase of property and equipment	-	(5)
Purchase of intangible assets	-	(22)
Net cash flows from used in investing activities	**98**	**79**
Cash flows from financing activities		
Proceeds from borrowings	49	-
Repayment of borrowings	(51)	
Increase in capital	700	134
Net cash flows from financing activities	**698**	**134**
Effect of exchange rates changes on cash and cash equivalents	129	(49)
Net increase in cash and cash equivalents	1,887	(2)
Cash and cash equivalents, 1 January	2,902	2,904
Cash and cash equivalents, 31 December	**4,918**	**2,902**

On behalf of the Management:

General Director

February 28, 2019

Tbilisi, Georgia

Finance Director

February 28, 2019

Tbilisi, Georgia

Notes on pages 10-24 are the integral part of these financial statements.

(In Thousand Georgian Lari)

1. INTRODUCTION

Corporate Information

International Insurance Company Kamara JSC (the Company) was founded and registered in tax authority on May 13, 2013. The company carries out insurance activity.

International Insurance Company Kamara JSC (the Company) is a Joint-stock company, before 07 December, 2015 the Company's legal form was Limited Liability Company. The Company was incorporated and is domiciled in Georgia under the laws and regulations of Georgia. The Company`s factual and registered address is A. Kalandadze Str. #4, Tbilisi, Georgia

Nominal value of one share is 1 GEL. In total, 3,650,000 shares were emitted as of December 31, 2017. 700,000 shares were added as of December 31, 2018.
Shareholders of the Company are: Chetin Aidin (personal number 20692382642) – 61.00%, Husein Iaman (personal number 48838112892) – 39.00%. The shareholders of the Company are non-residents of Georgia.

The insurance license was given to the Organization on October 11, 2013, license certificate #NL013, issued by LEPL Insurance State Supervision Service of Georgia.

Governing body of the Company is supervisory board, which includes chairperson, members, the general assembly and directors. Day to day activities of the Company are managed by general director of the Company. As at the year-end 2018 general director of the company is Eka Tsenteradze.

Presentation currency

The functional currency of the Company is national currency of Georgia – Georgian Lari (GEL). Transactions in foreign currencies are initially recorded in the functional currency using the spot rate at the date of the transaction determined by National Bank of Georgia. Foreign currency monetary items at the reporting date are translated using the closing rate determined by National Bank of Georgia. All exchange differences arising on settlement are recognized in profit or loss.

The principal rate of exchange used for translating foreign currency monetary balances were as follows:

	31 December 2018	**31 December 2017**
1 USD/GEL	2.6766	2.5922
1 EUR/GEL	3.0701	3.1044

Average interest rate for the periods is following:

	2018	**2017**
1 USD/GEL	2.5345	2.5086
1 EUR/GEL	2.9913	2.8322

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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.

Summary of Significant Accounting Policies

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the acquiring or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums from insurance contract. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DACs are amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

DACs are derecognised when the related contracts are either settled or disposed of.

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.

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:

Group of Fixed Assets	*Useful Life in Years*
Office Equipment	5 years
Vehicles	5 years

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.

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.

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

Insurance receivables

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

Reinsurance assets

Reinsurance assets represent the reinsurer's share in liabilities from insurance contracts.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the company's cash management.

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 using past statistics, via chain method, based on actuar calculation.
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.

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 (i.e. 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.

(In Thousand Georgian Lari)

3. 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.

4. AMOUNTS DUE FROM CREDIT INSTITUTIONS

	December 31, 2018	December 31, 2017
Bank deposits in USD	4,435	2,558
Bank deposits in GEL	213	217
Total	**4,648**	**2,775**

Amounts due from credit institutions are represented by short-term (up to12 months) placements and earned annual interest of 1,5% to 10% in 2018.

(In Thousand Georgian Lari)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December comprise:

	December 31, 2018	December 31, 2017
Cash at bank in USD	209	110
Cash at bank in GEL	61	16
Cash on hand	-	1
Total	**270**	**127**

ISSSG requirement is to maintain minimum level of cash and cash equivalents at 10% of the insurance contract liabilities subject to reservation as defined by Insurance State Supervision Service of Georgia regulatory reserve requirement resolution.

6. PROPERTY AND EQUIPMENT

The movements in property and equipment were as follows:

	Office Equipment	Vehicles	Total
Book value			
As at December 31, 2016	**51**	**19**	**70**
Additions	6	-	**6**
As at December 31, 2017	**57**	**19**	**76**
Additions	0	-	0
Write off	(7)	-	(7)
As at December 31, 2018	**50**	**19**	**69**
Accumulated depreciation	-	-	-
As at December 31, 2016	**(17)**	**(11)**	**(28)**
Depreciation charge	(11)	(4)	(15)
Accumulated depreciation as at December 31, 2017	**(28)**	**(15)**	**(43)**
Depreciation charge	(5)	(4)	(9)
Accumulated depreciation as at December 31, 2018	**(33)**	**(19)**	**(52)**
	-	-	-
Net value	-	-	-
As at December 31, 2017	**29**	**4**	**33**
As at December 31, 2018	**17**	**0**	**17**

(In Thousand Georgian Lari)

7. INTANGIBLE ASSETS

The movements in intangible assets were as follows:

	Computer Software
As at December 31, 2016	**73**
Additions	2
As at December 31, 2017	**75**
Additions	-
As at December 31, 2018	**75**
Accumulated depreciation	
As at December 31, 2016	**(6)**
Depreciation charge	(11)
Accumulated depreciation as at December 31, 2017	**(17)**
Depreciation charge	(11)
Accumulated depreciation as at December 31, 2018	**(28)**
Net value	
As at December 31, 2017	**58**
As at December 31, 2018	**47**

8. DEFERRED TAX LIABILITIES

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 will be effective for tax periods starting after 1 January 2023. As a result, starting from this date, the Company's taxable profit will be the dividends paid out (if any) and there will be no temporary differences. Deferred tax assets are caused by tax losses and can be used in the next period. The company has an approved budget by the Insurance Surveillance Service, which states that the company generates so many profits that it will be able to spend this asset.

	2018	2017
Corporate income tax provision	-	27
Corporate income tax	(230)	-
	(230)	**27**

	2018	2018
Loss before tax	1,425	(235)
Theoretical profit tax (15%)	214	(35)
Effect of temporary differences	16	8
Profit tax expense	**230**	**(27)**

(In Thousand Georgian Lari)

9. INSURANCE RECEIVABLE

Insurance receivables as of the end of the period comprise:

	December 31, 2018	December 31, 2017
Insurance premiums receivable in USD	179	9
Insurance premiums receivable in GEL	142	4
Other receivable	-	1
Impairment reserve	(2)	(1)
Total	**319**	**13**

10.ACCOUNTS PAYABLE

Accounts payable are as follows:

	December 31, 2018	December 31, 2017
Receivables of principles – deposition	113	216
Trade payable in GEL	37	8
Commission payables	16	20
Total	**166**	**244**

11.DEFERRED ACQUISITION COSTS

Deferred acquisition costs (“DAC”) are as follows:

December 31, 2017	**31**
Deferred cost	411
Amortization	(430)
December 31, 2018	**12**

12.INSURANCE CONTRACTS LIABILITIES

Insurance contract liability are as follows:

	2018	2017
Unearned premium reserve	349	159
Reported but not settled	56	32
Total	**405**	**191**

13.PREPAYMENTS

Prepayments are as follows:

	December 31, 2018	December 31, 2017
Prepayment to suppliers	35	31
Rent prepayment	-	11
Total	**35**	**42**

(In Thousand Georgian Lari)

14. REINSURANCE ASSETS

Reinsurance assets are as follows:

	December 31, 2018	December 31, 2017
Reinsurance unearned premium reserve	-	8
Total	**-**	**8**

15. SHARE CAPITAL

The minimum amount of capital is determined by the regulatory legislation. The equity capital is compulsory and is financed by 4,350,000 ordinary shares. The nominal value of each ordinary share is 1 GEL. The shareholders are presented in general information. The company has 6,438 additional paid-in capital.

16. GROSS PREMIUMS

Gross premium of the Company comprises of following for financial years 2018 and 2017:

	2018	2017
Compulsory Insurance Center	1,733	-
Motor insurance	842	70
Guarantee insurance	276	397
Liability insurance	29	27
Travel insurance	3	34
Property insurance	2	1
Other	-	2
Total Gross Premium	2,885	531
Premiums ceded to reinsurers	(8)	(11)
Net Premium	**2,877**	**520**

17. INTEREST INCOME

Interest income from deposits are as follows:

	2018	2017
Interest income from long term deposits	85	96
Interest income from short term deposits	11	7
Other interest income from deposits	-	5
Total	**96**	**108**

18. INCOME RECEIVED BY REGRESSION

	2018	2017
Regression (Guarantees)	194	49
Regression (Other)	-	1
Total	**194**	**50**

(In Thousand Georgian Lari)

19.NET CHANGE IN INSURANCE CONTRACTS LIABILITIES

	2018	2017
Reported but not settled	(25)	(31)
Total	**(25)**	**(31)**

20.COMMISSION EXPENSES

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

	2018	2017
Automobile insurance commission	351	4
Finance risk insurance commission	76	102
Travel insurance commission	1	17
Other	2	2
Total	**430**	**125**

21.GENERAL AND ADMINISTRATIVE EXPENSES

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

	2018	2017
Wages and salaries	494	376
Rent	85	85
Audit expenses	49	36
Depreciation and amortizations expense	26	28
Communication and Utility expenses	16	20
Bank expenses	6	3
Vehicle service expenses	3	3
Advertising expenses	2	20
Penalties	2	4
Computer expenses	2	2
Protection expenses	2	2
Representative expenses	-	3
Other general and administrative expenses	45	31
	732	**613**

22.GROSS BENEFITS AND CLAIMS PAID

	2018	2017
Liability insurance (guarantees) claim paid	217	37
Vehicle corpus insurance claim paid	98	10
Motorcycles insurance claim paid	27	2
Claim paid of Insurance of accidental passenger and driver	-	2
Travel insurance claim paid	-	2
Total	**342**	**53**

(In Thousand Georgian Lari)

23.OTHER INCOME

Other income of the Company comprises of following for financial years 2018 and 2017:

	2018	2017
Income from penalty	9	1
PPE revaluation	-	9
Other income from liability execution insurance (guarantees)	-	5
Total	**9**	**15**

24.OTHER EXPENSES

Other expenses of the Company comprise of following for financial years 2018 and 2017:

	2018	2017
Membership expenses	303	20
Supervision Fee	29	-
Acquisition expenses	19	-
Commission expenses for online registration	12	20
Court fee and other expenses	9	11
Impairment charge	2	1
Commission expenses for Valuation	-	2
Total	**374**	**54**

25.F/X EFFECT ON FOREIGN CURRENCY

	2018	2017
Cash at bank	129	(49)
Accounts receivable	34	(1)
Accounts payable	(11)	(2)
Total	**152**	**(52)**

Financial Risk Management

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

26.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

(In Thousand Georgian Lari)

insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid that are greater than originally estimated and subsequent development of long-term claims.
The Company primarily uses its loss ratio to monitor its insurance risk. Loss ratio is defined as net insurance claims divided by net insurance revenue. The Company's loss ratio was as follows:

	31 December 2018	*31 December 2017*
Loss ratio	13%	16%

27. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk relates primarily of its operating (prepayments in FC) and financing activities (loans and borrowings denominated in FC).
Most of the Company's transactions are carried out in GEL. Exposure to currency exchange rates arise from the Company's cash and bank balances denominated in US Dollar, as well as loans and borrowings denominated in US Dollar.
Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into GEL at the closing rate:

2018	GEL	USD	Total
Financial assets			
Amounts due from credit institutions	213	4,435	**4,648**
Cash and Cash Equivalents	61	209	**270**
Insurance Receivable	142	179	**321**
Accounts Receivable	1	6	**7**
Total financial assets	**417**	**4,829**	**5,246**
Financial liability			
Insurance contracts liabilities	405	-	**405**
Accounts payables	(166)	-	**(166)**
Total financial liability	**239**	**-**	**239**
Open balance sheet position	**178**	**4,829**	**5,007**

The following table details the Company's sensitivity to a 15% increase, and decrease in GEL against USD and 20% for EUR. 15% and 20% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for 15-20% change in foreign currency rates.
A positive number indicates an increase in a profit or loss where GEL strengthens against relevant currency.

	USD impact 2018	
	Increase by 15%	Increase by 15%
Profit/(loss)	724	(724)

(In Thousand Georgian Lari)

28.LIQUIDITY RISK

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.

29.MARKET RISK

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

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

30.CREDIT RISK

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

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

	Neither past due nor impaired 31 December 2018	Past-due or individually impaired 31 December 2018	Total 31 December 2018
Amounts due from credit institutions	4,648	-	4,648
Insurance receivables	319	2	321
Accounts Receivable	7	-	7
Total	**4,974**	**2**	**4,976**

31.CAPITAL RISK MANAGEMENT

The capital structure of the Company consists of equity comprising issued capital, accumulated loss and debt.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination level of the Company's various classes of debt, also adjust the amount of dividend paid, return capital to owners, issuance of new shares.

The operations of the Company are also subject to local regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency The Company's capital management policy for its insurance business is to hold the least required amount of the regulatory capital and, also, to hold sufficient liquid assets to cover statutory requirements based on the directives of ISSSG. Regulations of ISSSG require that an insurance company must hold liquid assets of at least 75% of its unearned premium reserve, net of gross insurance premiums receivable, and 100% of its loss reserves. Assets eligible for inclusion in

liquid assets are: cash and cash equivalents, amounts due from credit institutions, loans issued, investment property as well as other financial assets, as defined by ISSSG. Amount of such minimal liquid assets is called “Statutory Reserve”.
The insurance company is fully compliant with the requirement.

32.RELATED PARTY

Related partied of the Company are its shareholders, key management, other companies owned by the shareholders of the Company. The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm’s length transactions. The Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Company

Salaries and other short-term employee benefits	**2018**	**2017**
	107	75

Balances with related parties represent zero as at December 31, 2018.

33.EVENTS AFTER REPORTING PERIOD

No significant transactions have been identified for disclosure after the reporting date.