JSC A Group

Interim condensed consolidated financial statements

for the six months ended 30 June 2019
together with report on review of interim financial information

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EY LLC
Kote Abkhazi Street, 44
Tbilisi, 0105, Georgia
Tel: +995 (32) 215 8811
Fax: +995 (32) 215 8822
www.ey.com/ge

შპს იუაი
საქართველო, 0105 თბილისი
კოტე აფხაზის ქუჩა 44
ტელ: +995 (32) 215 8811
ფაქსი: +995 (32) 215 8822

Report on Review of Interim Financial Information

To the Shareholder and Supervisory Board of JSC A Group

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC A Group and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2019 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

Other matter

The comparative financial information for the six-month period ended 30 June 2018 is not reviewed.

Oleg Youshenkov

On behalf of EY LLC

Tbilisi, Georgia

29 August 2019

Interim consolidated statement of financial position

As at 30 June 2019

(Thousands of Georgian lari)

	Notes	*30 June 2019 (unaudited)*	*31 December 2018*
Assets			
Cash and cash equivalents	5	4,539	11,332
Bank deposits		33,644	23,456
Available-for-sale financial assets		6,320	4,408
Equity investments at fair value		905	–
Insurance and reinsurance receivables	6	42,262	31,442
Loan issued		9	33
Ceded share of technical provisions	9	25,083	16,928
Deferred income tax assets		1,196	1,196
Deferred acquisition costs		3,572	3,324
Investment property		4,719	4,719
Property and equipment	7	51,176	36,916
Intangible assets		11,142	10,223
Goodwill		13,063	13,063
Pension fund assets		6,335	18,932
Other assets		7,458	6,480
Total assets		**211,423**	**182,452**
Equity	8		
Share capital		1,113	1,023
Additional paid-in capital		12,582	8,153
Retained earnings		42,109	45,211
Total equity		**55,804**	**54,387**
Liabilities			
Gross technical provisions	9	59,399	45,663
Other insurance liabilities	10	28,651	17,603
Current income tax liabilities		720	603
Borrowings	11	43,951	33,704
Lease liabilities		4,611	–
Pension fund liabilities		6,335	18,932
Other liabilities		11,952	11,560
Total liabilities		**155,619**	**128,065**
Total equity and liabilities		**211,423**	**182,452**

Signed and authorized for release on behalf of the management of JSC A Group:

Giorgi Baratashvili General Director

29 August 2019

The accompanying notes on pages 5 to 19 are an integral part of these consolidated financial statements.

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June

(Thousands of Georgian lari)

	Notes	*2019 (unaudited)*	*2018 (unaudited, not reviewed)*
Net insurance revenue		36,130	31,451
Net insurance claims and claims handling expense		(15,111)	(12,503)
Acquisition costs, net of reinsurance		(5,736)	(3,807)
Net underwriting profit	13	**15,283**	**15,141**
Periodic technical inspection revenue	14	5,304	–
Cost of periodic technical inspection		(2,281)	–
Gross periodic technical inspection profit		**3,023**	**–**
Investment income		1,814	1,725
Pension fund asset management fee		57	290
Investment profit		**1,871**	**2,015**
Salaries and other employee benefits		(6,346)	(4,618)
General and administrative expenses		(3,229)	(1,895)
Depreciation and amortization expenses		(1,994)	(475)
Impairment charge		(289)	(658)
Net other operating income		343	490
Other expenses		**(11,515)**	**(7,156)**
Operating profit		**8,662**	**10,000**
Foreign exchange gains (losses)		129	(346)
Interest expense		(2,099)	–
Net non-recurring items	15	(315)	(629)
Pre-tax profit		**6,377**	**9,025**
Income tax expense		(1,479)	(1,349)
Net profit and total comprehensive income		**4,898**	**7,676**

The accompanying notes on pages 5 to 19 are an integral part of these consolidated financial statements.

Interim consolidated statement of changes in equity

For the six months ended 30 June 2019

(Thousands of Georgian lari)

	Notes	*Share capital*	*Additional paid-in capital*	*Retained earnings*	*Total equity*
31 December 2017		**1,889**	**6,987**	**39,750**	**48,626**
Total comprehensive income for the six months ended 30 June 2018 (unaudited, not reviewed)		–	–	7,676	**7,676**
Dividends to the shareholder	8	–	–	(10,000)	**(10,000)**
30 June 2018 (unaudited, not reviewed)		**1,889**	**6,987**	**37,426**	**46,302**
31 December 2018		**1,023**	**8,153**	**45,211**	**54,387**
Total comprehensive income for the six months ended 30 June 2019 (unaudited)		–	–	4,898	**4,898**
Issue of share capital	8	90	4,910	–	**5,000**
Share-based payments		–	(481)	–	**(481)**
Dividends to the shareholder	8	–	–	(8,000)	**(8,000)**
30 June 2019 (unaudited)		**1,113**	**12,582**	**42,109**	**55,804**

The accompanying notes on pages 5 to 19 are an integral part of these consolidated financial statements.

Interim condensed consolidated statement of cash flows

For the six months ended 30 June

(Thousands of Georgian lari)

	Notes	*2019 (unaudited)*	*2018 (unaudited, not reviewed)*
Cash flows from operating activities			
Net insurance revenue received		35,174	30,800
Net Insurance benefits and claims paid		(8,586)	(9,928)
Acquisition costs paid		(4,355)	(3,089)
Periodic inspection revenue received		6,212	–
Cost of periodic technical inspection paid		(1,888)	–
Salaries and benefits paid		(6,634)	(7,328)
Interest received		1,094	1,373
General, administrative and operating expenses paid		(3,301)	(1,617)
Net cash flows from operating activities before income tax		**17,716**	**10,211**
Income tax paid		(1,343)	(706)
Net cash flows from operating activities		**16,373**	**9,505**
Cash flows from (used in) investing activities			
Purchase of premises and equipment		(14,932)	(605)
Purchase of intangible assets		(2,057)	(863)
Loan repaid		11	3
Net withdrawal (placement) of bank deposits		(9,512)	872
Purchase of securities		(3,078)	(237)
Proceeds from sale and redemption of securities		3,362	–
Net cash flows used in investing activities		**(26,206)**	**(830)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	8	5,000	–
Purchase of treasury shares		(927)	–
Dividend paid	8	(8,000)	(10,000)
Proceeds from borrowings	11	20,507	–
Repayment from borrowings	11	(10,421)	–
Interest paid		(2,042)	–
Repayment of lease liabilities		(953)	–
Interest paid on lease liabilities		(94)	–
Net cash flows from (used in) financing activities		**3,070**	**(10,000)**
Effect of exchange rates changes on cash and cash equivalents		(30)	(121)
Net decrease in cash and cash equivalents		**(6,793)**	**(1,446)**
Cash and cash equivalents, 1 January	5	11,332	4,186
Cash and cash equivalents, 30 June	5	**4,539**	**2,740**

The accompanying notes on pages 5 to 19 are an integral part of these consolidated financial statements.

(Thousands of Georgian lari unless otherwise stated)

1. Principal activities

JSC A Group (the "Company", "A Group" or the "Group") (ID: 405291795) was registered by LEPL National Agency of Public Registry of Ministry of Justice of Georgia on 20 September 2018, under the laws of Georgia.

In 2018 JSC Insurance company Aldagi ("Aldagi") (ID: 404476189) and its subsidiaries ("Aldagi Group") conducted a reorganisation (the "reorganisation") that aimed to align the group structure with the Group's respective business segments, being property and casualty insurance and periodic vehicle technical inspection. On 11 October 2018, the shareholder of Aldagi – JSC Georgia Capital ("the Parent") − transferred its 100% interest in Aldagi to the Company in exchange for Company's issue of shares with nominal value of GEL 1,023. On 16 October 2018, Aldagi disposed of its 100% interest in JSC Greenway Georgia ("Greenway") (ID: 404867006) to the Company.

Following completion of the reorganisation, JSC A Group mainly operates through its two wholly-owned subsidiaries: Aldagi and Greenway. Aldagi possesses two types of insurance licences issued by the Insurance State Supervision Service of Georgia (ISSSG) for life and non-life insurance products, as well as a licence to act as a pension fund. It offers various life and non-life insurance services and insurance products relating to property, liability, and others in Georgia. Greenway obtained a license from Ministry of Economy and Sustainable Development of Georgia to operate in periodic vehicle technical inspections business, constructed car inspection lines across Georgia, and launched mandatory vehicle inspections (effective in Georgia from 1 January 2019) through 26 centers (10 locations in the capital city and 16 locations in the regions) in March 2019.

Aldagi is a founder of a non-profit (non-commercial) legal entity Compulsory Insurance Center ("the Center") established in accordance with the legislation of Georgia for the management of compulsory insurance by the 16 insurers participating in the insurance system. In accordance with the legislation, upon entry of the foreign-registered vehicle into the territory of Georgia, the owner/driver of the vehicle shall be obliged to provide third party liability insurance for its vehicle during his/her stay in Georgia. The Center's place of operation is Georgia and its purpose is to administer sales and claims settlement processes related to compulsory insurance. The Group has 11.76% (31 December 2018: 12.5%) participating share held in the Center, through which it participates in joint insurance of third party liability for drivers of the foreign-registered vehicles and recognizes the respective assets, liabilities, income and expenses based on its interest in the Center.

The Company's legal address is 1, Berbuki street, 0171 Tbilisi, Georgia.

As at 30 June 2019 and 31 December 2018 ultimate parent of the Group was Georgia Capital plc, which obtained control over the Group as a result of demerger of BGEO Group plc into banking sector (Bank of Georgia Group plc) and investment sector (Georgia Capital plc). Georgia Capital plc is incorporated in the United Kingdom and listed on the London Stock Exchange.

2. Basis of preparation

General

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2018, signed and authorized for release on 14 August 2019.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management's best judgment at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates.

Assumptions and significant estimates in these interim condensed consolidated financial statements are consistent with those applied in the preparation of JSC A Group's annual consolidated financial statements for the year ended 31 December 2018. The Group did not previously present interim financial information for six months ended 30 June 2018.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies

Adoption of new or revised standards and interpretations and changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

The Group applies, for the first time IFRS 16 *Leases*. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases − Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/decrease) is as follows:

	1 January 2019
Assets	
Property and equipment (right-of-use assets)	2,852
Prepayments (included in other assets)	(261)
Liabilities	
Lease liabilities	2,591

Incremental borrowing rate for the leases denominated in USD and GEL amounted to 7% and 11%, respectively.

The adoption of IFRS 16 had no impact on Group's equity.

The adoption of IFRS 16 had following impact on the consolidated income statement of the Group for six months ended 30 June 2019:

Occupancy and rent (included in general and administrative expenses)	(598)
Depreciation and amortization	551
Operating profit	**(47)**
Interest expense	142
Net profit and total comprehensive income	**95**

<u>Nature of the effect of adoption of IFRS 16</u>

The Group has lease contracts for lands and buildings. Before the adoption of IFRS 16, none of the leases were determined to be economically similar to purchasing the underlying asset and, therefore, all the leases were classified as operating leases and not reported on a company's balance sheet (they were 'off balance sheet leases'). Off balance sheet leases were accounted for similarly to service contracts, with the company reporting a rental expense in the income statement. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets as described below. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations and changes in accounting policies and disclosures (continued)

Leases previously accounted for as operating leases

The group recognised a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. Lease liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. A right-of-use asset was recognised at the date of initial application for leases previously classified as an operating lease applying IAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are presented within property, plant and equipment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to the lease of vehicles and equipment across the Group, exemption will not be applied to the lease of real estate. The Group will apply low value lease exemption to its low value leases such as computers and furniture (assets with a value, when new, of US$5,000 or less). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Adoption of new or revised standards and interpretations and changes in accounting policies and disclosures (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The following amendments had no impact on the Group's interim condensed consolidated financial statements:

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 23 *Borrowing Costs*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- Annual improvements 2015-2017 cycle.

4. Segment information

For management purposes, the Group is organised into two operating segments based on the industries as follows: P&C insurance, principally providing wide-scale property and casualty insurance services to corporate and individual clients, and periodic technical inspection ("PTI"), principally providing vehicle technical inspection services to corporate and individual clients. Management monitors the operating results of its segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured in the same manner as profit or loss in the interim condensed consolidated financial statements. Transactions between segments are accounted for at actual transaction prices.

Starting from the period ended 30 June 2019, the Group discloses segment information on voluntary basis.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 6 months period ended 30 June 2019 and 2018.

(Thousands of Georgian lari unless otherwise stated)

4. Segment Information (continued)

The following table presents interim condensed consolidated statement of comprehensive income for the six months ended 30 June:

	2019 (unaudited)				***2018 (unaudited, not reviewed)***			
	P&C Insurance	***PTI***	***Inter-business eliminations/ consolida-tions***	***Group total***	***P&C Insurance***	***PTI***	***Inter-business eliminations/ consolida-tions***	***Group total***
Net insurance revenue	36,288	–	(158)	**36,130**	31,451	–	–	**31,451**
Net insurance claims and claims handling expense	(15,111)	–	–	**(15,111)**	(12,503)	–	–	**(12,503)**
Acquisition costs, net of reinsurance	(5,736)	–	–	**(5,736)**	(3,807)	–	–	**(3,807)**
Net underwriting profit	**15,441**	**–**	**(158)**	**15,283**	**15,141**	**–**	**–**	**15,141**
Periodic technical inspection revenue	–	5,304	–	**5,304**	–	–	–	**–**
Cost of Periodic technical inspection	–	(2,281)	–	**(2,281)**	–	–	–	**–**
Gross Periodic technical inspection profit	**–**	**3,023**	**–**	**3,023**	**–**	**–**	**–**	**–**
Investment income	2,282	–	(468)	**1,814**	1,725	–	–	**1,725**
Pension fund asset management fee	57	–		**57**	290	–	–	**290**
Investment profit	**2,339**	**–**	**(468)**	**1,871**	**2,015**	**–**	**–**	**2,015**
						–	–	
Salaries and other employee benefits	(5,391)	(955)	–	**(6,346)**	(4,618)	–	–	**(4,618)**
General and administrative expenses	(1,965)	(1,427)	163	**(3,229)**	(1,895)	–	–	**(1,895)**
Depreciation and amortization expenses	(994)	(1,000)	–	**(1,994)**	(475)	–	–	**(475)**
Impairment charge	(289)	–	–	**(289)**	(658)	–	–	**(658)**
Net other operating income	377	(28)	(5)	**343**	490	–	–	**490**
Other expenses	**(8,262)**	**(3,410)**	**157**	**(11,515)**	**(7,156)**	**–**	**–**	**(7,156)**
Operating profit	**9,518**	**(387)**	**(469)**	**8,662**	**10,000**	**–**	**–**	**10,000**
Foreign exchange gains	339	(210)	–	**129**	(346)	–	–	**(346)**
Interest expense	(71)	(2,409)	381	**(2,099)**	–	–	–	**–**
Net non-recurring items	–	(315)	–	**(315)**	(629)	–	–	**(629)**
Pre-tax profit	**9,786**	**(3,321)**	**(88)**	**6,377**	**9,025**	**–**	**–**	**9,025**
Income tax expense	(1,479)	–	–	**(1,479)**	(1,349)	–	–	**(1,349)**
Net profit and total comprehensive income	**8,307**	**(3,321)**	**(88)**	**4,898**	**7,676**	**–**	**–**	**7,676**

(Thousands of Georgian lari unless otherwise stated)

4. Segment Information (continued)

The following table presents asset and liability information regarding the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively:

	30 June 2019 (unaudited)				***31 December 2018 (unaudited, not reviewed)***			
	P&C Insurance	***PTI***	***Inter-business eliminations/ consolida-tions***	***Group total***	***P&C Insurance***	***PTI***	***Inter-business eliminations/ consolida-tions***	***Group total***
Assets								
Cash and cash equivalents	4,365	174	–	**4,539**	11,104	228	–	**11,332**
Bank deposits	33,644	–	–	**33,644**	23,456	–	–	**23,456**
Available-for-sale financial assets	7,225	–		**7,225**	4,408	–	–	**4,408**
Insurance and reinsurance receivables	42,821	–	(559)	**42,262**	31,976	–	(534)	**31,442**
Loan issued	2,773	11	(2,775)	**9**	4,391	33	(4,391)	**33**
Ceded share of technical provisions	25,083	–	–	**25,083**	16,976	–	(48)	**16,928**
Deferred income tax assets	1,196	–	–	**1,196**	1,196	–	–	**1,196**
Deferred acquisition costs	3,572	–	–	**3,572**	3,324	–	–	**3,324**
Investment property	4,719	–	–	**4,719**	4,719	–	–	**4,719**
Property and equipment	10,382	41,097	(303)	**51,176**	7,312	29,838	(234)	**36,916**
Intangible assets	2,765	8,456	(79)	**11,142**	2,282	8,002	(61)	**10,223**
Goodwill	13,063	–	–	**13,063**	13,063	–	–	**13,063**
Pension fund assets	6,335	–	–	**6,335**	18,932	–	–	**18,932**
Other assets	3,886	3,572	–	**7,458**	3,188	3,292	–	**6,480**
Total assets	**161,829**	**53,310**	**(3,716)**	**211,423**	**146,327**	**41,393**	**(5,268)**	**182,452**
Equity								
Share capital	1,023	90	–	**1,113**	1,023	–	–	**1,023**
Additional paid-in capital	7,672	4,910	–	**12,582**	8,153	–	–	**8,153**
Retained earnings	38,832	(1,326)	(295)	**37,211**	29,750	–	–	**29,750**
Net profit	8,307	(3,321)	(88)	**4,898**	17,082	(1,326)	(295)	**15,461**
Total equity	**55,834**	**353**	**(383)**	**55,804**	**56,008**	**(1,326)**	**(295)**	**54,387**
Liabilities								
Gross technical provisions	59,450	–	(51)	**59,399**	45,797	–	(134)	**45,663**
Other insurance liabilities	28,651	–	–	**28,651**	17,701	–	(98)	**17,603**
Current income tax liabilities	720	–	–	**720**	603	–	–	**603**
Borrowings	–	46,726	(2,775)	**43,951**	–	38,095	(4,391)	**33,704**
Pension fund liabilities	6,335	–	–	**6,335**	18,932	–	–	**18,932**
Other liabilities	10,839	6,231	(507)	**16,563**	7,286	4,624	(350)	**11,560**
Total liabilities	**105,995**	**52,957**	**(3,333)**	**155,619**	**90,319**	**42,719**	**(4,973)**	**128,065**
Total equity and liabilities	**161,829**	**53,310**	**(3,716)**	**211,423**	**146,327**	**41,393**	**(5,268)**	**182,452**

(Thousands of Georgian lari unless otherwise stated)

5. Cash and cash equivalents

Cash and cash equivalents as of 30 June 2019 and 31 December 2018 comprise:

	30 June 2019 (unaudited)	*31 December 2018*
Cash on hand	15	32
Current accounts	4,524	11,300
Total cash and cash equivalents	**4,539**	**11,332**

As of 30 June 2019 cash and cash equivalents of 100% owned subsidiary JSC Insurance Company Aldagi on stand-alone basis comprise GEL 4,096 (31 December 2018: GEL 10,339). The ISSSG requirement is to maintain minimum level of cash and cash equivalents at 10% of the technical provisions subject to reservation as defined by ISSSG regulatory reserve requirement resolution, which as of the reporting date amounts to GEL 2,232 (31 December 2018: GEL 3,098). Pension fund cash and cash equivalents which comprise GEL 973 (31 December 2018: GEL 3,314) are also eligible in minimum level requirements.

6. Insurance and reinsurance receivables

Insurance and reinsurance receivables as of 30 June 2019 and 31 December 2018 comprise:

	30 June 2019 (unaudited)	*31 December 2018*
Due from policyholders	47,220	34,927
Due from reinsurers	1,079	2,002
	48,299	**36,929**
Less – allowance for impairment for amounts due from policyholders	(6,037)	(5,487)
Total insurance and reinsurance receivables	**42,262**	**31,442**

(Thousands of Georgian lari unless otherwise stated)

7. Property and equipment

The movements in property and equipment during the six months ended 30 June 2019 were as follows:

	Land and buildings	*Furniture and fixtures*	*Computers and equipment*	*Motor vehicles*	*Leasehold improvements*	*Assets under construction*	*Right of use assets*	*Total*
Cost								
31 December 2018	**11,952**	**1,133**	**9,591**	**513**	**632**	**15,843**	**–**	**39,664**
Additions	1,649	373	1,279	12	58	6,802	5,465	**15,638**
Disposals	–	(17)	(7)	–	(1)	–	–	**(25)**
Transfers	22,642	–	–	–	–	(22,642)	–	**–**
30 June 2019 (unaudited)	**36,243**	**1,489**	**10,863**	**525**	**689**	**3**	**5,465**	**55,277**
Accumulated depreciation								
31 December 2018	**748**	**613**	**1,129**	**214**	**44**	**–**	**–**	**2,748**
Depreciation charge	275	131	342	51	24	–	552	**1,375**
Disposals	(6)	(12)	(4)	–	–	–	–	**(22)**
Transfers	–	–	–	–	–	–	–	**–**
30 June 2019 (unaudited)	**1,017**	**732**	**1,467**	**265**	**68**	**–**	**552**	**4,101**
Net book value								
31 December 2018	**11,204**	**520**	**8,462**	**299**	**588**	**15,843**	**–**	**36,916**
30 June 2019 (unaudited)	**35,226**	**757**	**9,396**	**260**	**621**	**3**	**4,913**	**51,176**

(Thousands of Georgian lari unless otherwise stated)

7. Property and equipment (continued)

	Land and buildings	*Furniture and fixtures*	*Computers and equipment*	*Motor vehicles*	*Leasehold improvements*	*Total*
Cost						
31 December 2017	9,465	969	1,454	484	596	**12,968**
Additions	187	55	392	62	30	**726**
Disposals	(1)	(14)	(1)	(35)	–	**(51)**
Transfers to investment property	(3,874)	–	–	–	–	**(3,874)**
30 June 2018 (unaudited, not reviewed)	**5,777**	**1,010**	**1,845**	**511**	**626**	**9,769**
Accumulated depreciation						
31 December 2017	720	539	934	123	25	**2,341**
Depreciation charge	66	40	88	46	9	**249**
Disposals	–	(7)	(4)	(6)	–	**(17)**
Transfers to investment property	–	–	–	–	–	**–**
30 June 2018 (unaudited, not reviewed)	**786**	**572**	**1,018**	**163**	**34**	**2,573**
Net book value						
31 December 2017	**8,745**	**430**	**520**	**361**	**571**	**10,627**
30 June 2018 (unaudited, not reviewed)	**4,991**	**438**	**827**	**348**	**592**	**7,196**

Property and equipment amounting to GEL 45,179 is pledged as collateral as at 30 June 2019 (31 December 2018: GEL 22,410).

(Thousands of Georgian lari unless otherwise stated)

8. Equity

As at 30 June 2019 the number of authorized ordinary shares was 10,000,000 (31 December 2018: 10,000,000) with a nominal value per share of one Georgian lari. 1,112,549 (31 December 2018: 1,022,600) authorized shares have been issued to 100% shareholder of JSC A Group, JSC Georgia Capital (ID: 404549690), of which 89,949 ordinary shares were issued on 24 April 2019 in return for capital injection in the Group by 100% shareholder amounting to GEL 5,000.

The share capital of the Group was contributed by the shareholders in Georgian lari and they are entitled to dividends and any capital distribution in Georgian lari.

On 26 June 2019, shareholder of JSC A Group made a decision to distribute 2018 dividends comprising Georgian lari 7.19 per share. Payment of the total GEL 8,000 annual dividends was received by the Shareholder on 28 June 2019.

On 25 June 2018, shareholder of JSC Insurance Company Aldagi made a decision to distribute 2017 and 2018 dividends comprising Georgian lari 4.234 and 1.058, respectively, per share. Payment of the total GEL 10,000 annual dividends was received by the shareholder on 29 June 2018.

9. Gross technical provisions and ceded share of technical provisions

Gross technical provisions and ceded share of technical provisions as of 30 June 2019 and 31 December 2018 comprise:

	30 June 2019 (unaudited)	*31 December 2018*
Gross technical provisions		
- Unearned premiums provision	38,418	32,111
- Provisions for claims reported by policyholders	20,240	13,183
- Provisions for claims incurred but not reported (IBNR)	741	369
Total gross technical provisions	**59,399**	**45,663**
Ceded share of technical provisions		
- Reinsurers' share in unearned premiums provision	(10,777)	(8,453)
- Reinsurers' share in provisions for claims reported by policyholders	(14,306)	(8,475)
- Reinsurers' share in provisions for claims incurred but not reported (IBNR)	–	–
Total ceded share of technical provisions	**(25,083)**	**(16,928)**
Technical provisions net of reinsurance		
- Unearned premiums provision	27,641	23,658
- Provisions for claims reported by policyholders	5,934	4,708
- Provisions for claims incurred but not reported (IBNR)	741	369
Total technical provisions net of reinsurance	**34,316**	**28,735**

The movement in technical provisions for the six months ended 30 June 2019 and 30 June 2018 is as follows:

		Six months ended					
		30 June 2019 (unaudited)			*30 June 2018 (unaudited, not reviewed)*		
	Notes	***Gross technical provisions***	***Ceded share of technical provisions***	***Net***	***Gross technical provisions***	***Ceded share of technical provisions***	***Net***
At 1 January		**45,663**	**(16,928)**	**28,735**	**50,272**	**(20,671)**	**29,601**
Premiums written during the year	13	52,713	(12,600)	**40,113**	45,885	(14,260)	**31,625**
Premiums earned during the year	13	(46,406)	10,276	**(36,130)**	(42,555)	11,104	**(31,451)**
Claims incurred during the current accident year	13	22,176	(6,241)	**15,935**	15,075	(1,479)	**13,596**
Claims paid during the year	13	(14,747)	410	**(14,337)**	(19,164)	5,777	**(13,387)**
At the end of the period		**59,399**	**(25,083)**	**34,316**	**49,513**	**(19,529)**	**29,984**

(Thousands of Georgian lari unless otherwise stated)

10. Other insurance liabilities

Other insurance liabilities as of 30 June 2019 and 31 December 2018 include:

	30 June 2019 (unaudited)	*31 December 2018*
Reinsurance payables	22,525	15,090
Advances received	5,941	2,278
Claims payable	185	235
Other insurance liabilities	**28,651**	**17,603**

11. Borrowings

The Group's borrowings consist of loans taken from a local commercial bank at the floating interest rate of NBG monetary policy rate + 5% and NBG monetary policy rate + 4%, with principal amount of GEL 10,347 and GEL 29,569 outstanding as at 30 June 2019 and repayable within five and ten years, respectively (31 December 2018: GEL 4,032 and GEL 16,298). The remaining balance consists of the borrowings from the Parent, carrying interest rate of 12% and repayable within a year.

Reconciliation of liabilities arising from financing activities

	Bank loans	*Loans from related parties*	*Total*
31 December 2018	**20,359**	**13,345**	**33,704**
Loan withdrawals	20,507	–	**20,507**
Loan repayments	(921)	(9,500)	**(10,421)**
Interest accrual	27	134	**161**
30 June 2019 (unaudited)	**39,972**	**3,979**	**43,951**

12. Commitments and contingencies

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group. Any legal actions or complaints related to insurance policies are taken into account when making assessment of respective technical provisions.

In 2018 Aldagi Group (the "Guarantor") issued guarantee to JSC Greenway Georgia (the "Principal") amounting to GEL 6,600 to secure fulfilment of obligations undertaken by the principal before the Ministry of Economy and Sustainable Development of Georgia (the "Beneficiary") on establishment of periodic vehicle technical inspection centers. To date, guarantees related to obligation to obtain accreditation for periodic vehicle inspection centers amounting to GEL 5,100 expired without payment upon commencement of operation of periodic vehicle technical inspection lines. Guarantees in the amount of GEL 1,500 remain effective until 19 December 2019 and cover failure of the principal to comply with the terms and conditions of the agreements concluded with the Ministry of Economy and Sustainable Development of Georgia. To date, Aldagi Group has not received any calls on these guarantees.

Financial commitments and contingencies

The Group does not have any capital commitments as at 30 June 2019 (31 December 2018: GEL 9,242).

(Thousands of Georgian lari unless otherwise stated)

13. Net underwriting profit

	For the six months ended	
	30 June 2019 (unaudited)	***30 June 2018 (unaudited, not reviewed)***
Premiums written	52,713	45,885
Gross change in unearned premium provision	(6,307)	(3,330)
Gross earned premiums on insurance contracts	**46,406**	**42,555**
Reinsurer's share of gross earned premiums	(10,276)	(11,104)
Net insurance revenue	**36,130**	**31,451**
Insurance claims paid	(14,747)	(19,164)
Gross change in insurance contract liabilities	(7,429)	4,089
Gross insurance claims expenses	**(22,176)**	**(15,075)**
Reins insurance claims expenses	6,241	1,479
Claim settlement expenses	(668)	(444)
Income from regress	1,492	1,537
Net insurance claims incurred	**(15,111)**	**(12,503)**
Acquisition costs	(6,147)	(4,521)
Acquisition costs deferred	3,085	742
Amortization of deferred acquisition costs	(2,837)	(460)
Reinsurance commissions	163	432
Total acquisition costs, net of reinsurance	**(5,736)**	**(3,807)**
Net underwriting profit	**15,283**	**15,141**

14. Periodic technical inspection revenue

During the reporting period, the Group started to generate revenue from periodic vehicle technical inspection. This revenue stream is derived from both, retail and corporate customers, serviced through 51 periodic technical inspection lines organised in 26 centers across Georgia (10 locations in Tbilisi and 16 locations in the regions). Technical inspection prices are set by the legislation at 60 and 100 Georgian lari, including VAT, for light vehicles and heavy vehicles, respectively. Revenue is recognized point in time at completion of the check.

During the six months ended 30 June 2019, the Group recognized technical inspection revenue as follows:

	Six months ended 30 June 2019 (unaudited)
Light vehicles	4,947
Heavy vehicles	357
Periodic technical inspection revenue	**5,304**

15. Net non-recurring items

In March of 2019, JSC Greenway Georgia completed construction of periodic vehicle technical centers, however due to belated opening of the said centers, one-off penalty was imposed by the Ministry of Economy and Sustainable Development of Georgia against JSC Greenway Georgia, amounting to GEL 275 for the six months ended 30 June 2019. Other non-recurring items did not exceed GEL 40 for the six months ended 30 June 2019.

Prior to demerger, senior executives of the Group were compensated with shares of BGEO. Upon demerger, old service contracts with BGEO were terminated and new contracts were signed with Georgia Capital. All outstanding unvested share awards under old service agreements were converted into 1 Georgia Capital PLC share vesting according to original schedule and 1 BOG PLC share vesting immediately per each BGEO share. The related share-based payment expense that has not been recognized in income statement as of the termination date (that otherwise would have been recognized for services received over the remainder of the vesting period) was accelerated and immediately expensed, comprising GEL 629 for the six months ended 30 June 2018.

(Thousands of Georgian lari unless otherwise stated)

16. Fair values measurements

Fair value hierarchy

The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total as at 30 June 2019 (unaudited)*
Assets measured at fair value				
Investment property	–	–	4,719	**4,719**
Available-for-sale financial assets	–	6,320	–	**6,320**
Equity investments at fair value	905	–	–	**905**
Pension fund assets				
- Available for sale assets	–	1,153	–	**1,153**
Assets for which fair values are disclosed				
Cash and cash equivalents	4,539	–	–	**4,539**
Bank deposits	–	33,644	–	**33,644**
Loan issued	–	–	9	**9**
Pension fund assets				
- Cash and cash equivalents	973	–	–	**973**
- Bank deposits	–	4,209	–	**4,209**
Liabilities for which fair values are disclosed				
Pension fund liability	–	6,335	–	**6,335**
Borrowings	–	–	43,951	**43,951**

	Level 1	*Level 2*	*Level 3*	*Total as at 31 December 2018*
Assets measured at fair value				
Investment property	–	–	4,719	**4,719**
Available-for-sale financial assets	–	4,408	–	**4,408**
Pension fund assets				
- Available for sale assets	–	1,589	–	**1,589**
Assets for which fair values are disclosed				
Cash and cash equivalents	11,332	–	–	**11,332**
Bank deposits	–	23,456	–	**23,456**
Loan issued	–	–	33	**33**
Pension fund assets				
- Cash and cash equivalents	3,314	–	–	**3,314**
- Bank deposits	–	14,029	–	**14,029**
Liabilities for which fair values are disclosed				
Pension fund liability	–	18,932	–	**18,932**
Borrowings	–	–	33,704	**33,704**

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

Available-for-sale financial assets and equity investments at fair value

Available-for-sale financial assets are valued using a valuation technique or pricing models consist of unquoted debt securities. These securities are valued using models which incorporate data observable in the market − market rates appropriate to instrument maturity, currency and issuer's credit risk. Investments in equity instruments at fair value through profit or loss are represented by shares quoted on an active market and are valued using market quotes at the reporting date.

(Thousands of Georgian lari unless otherwise stated)

16. Fair values measurements (continued)

Fair value of financial assets and liabilities not carried at fair value

As at 30 June 2019 and 31 December 2018, carrying values of financial assets and liabilities that are not carried at fair value in consolidated statement of financial position was not significantly different to their fair values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments. The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments.

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

17. Related party transactions

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

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

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

	30 June 2019 (unaudited)		*31 December 2018*	
	Parent	***Entities under common control***	***Parent***	***Entities under common control***
Assets				
Equity investments at fair value	905	–	–	–
Insurance and reinsurance receivables	–	4,081	–	2,462
Pension fund assets	–	–	–	136
Ceded share of technical reserves	371	1,080	121	323
Other assets	–	230	–	94
Available-for-sale financial assets	–	887	–	828
Interest capitalisation in Premises and equipment	600	–	809	–
Interest capitalisation in intangible assets	157	–	134	–
	2,033	**6,278**	**1,064**	**3,843**
Liabilities				
Gross technical provisions	608	3,190	232	1,866
Other liabilities	432	1,662	–	16
Borrowings	3,979	–	13,345	–
	5,019	**4,852**	**13,577**	**1,882**

(Thousands of Georgian lari unless otherwise stated)

17. Related party transactions (continued)

	30 June 2019 (unaudited)		*30 June 2018 (unaudited, not reviewed)*	
	Parent	***Entities under common control****	***Parent***	***Entities under common control****
Income and expenses				
Net insurance revenue	145	2,212	150	6,865
Net insurance claims and claims handling expenses	–	(785)	–	(2,431)
Acquisition costs, net of reinsurance	–	(740)	–	(640)
Investment income	–	31	–	1,342
Investment income attributable to pension fund participants	–	–	–	498
General and administrative expenses	–	(169)	–	(317)
Salaries and other employee benefits	–	(48)	–	(87)
Net other operating income	–	3	–	3
Foreign exchange gains	–	–	–	392
Interest expense	(1,156)	–	–	–
	(1,011)	**504**	**150**	**5,625**

* *Entities under common control include BGEO Group plc subsidiaries for five months of 2018 and Georgia Capital plc subsidiaries for the sixth month of 2018. Entities under common control include Georgia Capital plc subsidiaries for the six months ended 30 June 2019.*

Key Management personnel of the Group includes Aldagi and Greenway management team. Compensation of key management personnel (30 June 2019: 13 persons; 30 June 2018: 11 persons) comprised the following:

	Notes	***30 June 2019 (unaudited)***	***30 June 2018 (unaudited, not reviewed)***
Salaries and bonuses		1,974	1,577
Share-based payments compensation		735	293
Net non-recurring items	15	–	629
Total key management compensation		**2,709**	**2,499**