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ARDI INSURANCE JSC

FINANCIAL STATEMENTS AND INDEPHENDENT AUDITORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

RSM

CONTENTS

These financial statements are presented in GEL.

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ARDI INSURANCE JSC

Qualified Opinion

We have audited the financial statements of JSC Ardi Insurance (the Company), which comprise the statement of financial position as at December 31, 2022 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our Report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The company has recognized Gel 44,918,728 and Gel 4,545,076 on account of subrogation receivables and provision reserves thereon. The company's criteria for provision reserve calculations are entirely different from the requirements of International Accounting Standard 39 (IAS-39). As the matter is material to the financial statements therefore our opinion is qualified on said issue because we could not determine whether any adjustments might have been found necessary in respect of recorded or unrecorded provision reserves, income on subrogation or other adjustments related to their valuation, measurement and completeness.

During the year the company recorded provision reserves amounting to Gel 2,580,974 and Gel 782,993 on account of insurance premium receivables and on loans issued. A major part of these provision reserves relates to previous years. The prior year errors required retrospective restatement in accordance with the requirements of International Accounting Standard 8 (IAS 8). However, the company did not restate prior years and accumulative effect is given to the current year financial statements that against the requirements of IAS-8. As the matter is material to the financial statements, therefore, our opinion is qualified on current year financial statements and on comparative figures as well due comparability.

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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to note 2 to the financial statements, which indicates that, the company's regulatory capital and other solvency ratios are not in compliant with the requirements of insurance laws applicable in Georgia for the year ended 31 December 2022. These conditions along with other matters described in said note indicates the existence of material uncertainty related to going concern of the company.

However, the company is making continued efforts for necessary injection of capital and implementation of the company's plan to comply with applicable capital, liquidity and other solvency requirements. Our opinion is not qualified in respect of these matters and going concern of the company is highly dependent on new capital injection and approval of the regulator on business plan which will be submitted in ensuing days.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the financial statements and our auditor's report thereon. The management report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements will not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our obligation is to express an opinion on compliance of the company's management report with the Law of Georgia on "Accounting, Reporting and Auditing" ("the Law"), and in case of essential inaccuracies, to indicate their essence, as well as to state any information which is not reported specified by law in the management report.

We will perform certain procedures needed to form a conclusion on the compliance of the Company's management report with article 7 of Georgia on Accounting, Reporting and Auditing and a review report in this regard shall be issued through a separate.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with owners of the company 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.

13 June, 2023

RSM Georgia

Engagement Partner: Ali Murtza

RSM Georgia

NOTES
STATEMENT OF COMPREHENSIVE INCOME

	Notes	2022	2021
Gross premiums		72,603,610	58,961,237
Premiums ceded to reinsurers		(2,898,582)	(3,773,592)
Net premiums		**69,705,028**	**55,187,645**
Changes in unearned premium reserve		(7,042,138)	(3,408,484)
Changes in unearned premium reserve ceded to reinsurers		(552,793)	196,480
Net insurance revenue	4	**62,110,097**	**51,975,641**
Interest income	5	1,143,850	748,314
Commission income	6	466,050	581,712
TOTAL REVENUE		**63,719,997**	**53,305,667**
Insurance benefits and claims paid	7	(54,473,144)	(39,783,497)
Claims ceded to reinsurers	7	7,145,189	1,253,537
Changes in other insurance reserves	17	(8,181,679)	(7,202,570)
Changes in other insurance reserves ceded to reinsurers	17	6,588,037	5,966,097
Income from subrogation and recoveries	8	16,704,528	8,857,924
Income from subrogation and recoveries ceded to reinsurers	8	(12,892,837)	(6,570,988)
Net benefits and claims		**(45,109,906)**	**(37,479,497)**
Commission expenses	9	(4,972,999)	(4,784,536)
General and administrative expenses	10	(11,589,075)	(9,255,630)
Marketing expenses	11	(909,774)	(953,214)
Impairment and write off expense	12	(3,363,967)	(508,008)
Interest expense	5	(238,711)	(260,253)
Other income and expenses, net		38,951	199,273
Net foreign exchange (loss) / gain		(1,152,308)	(529,614)
PROFIT/(LOSS) BEFORE TAX		**(3,577,792)**	**(265,812)**
Income tax benefit/(expense)	13	95,490	(120,170)
PROFIT/(LOSS) FOR THE YEAR		**(3,482,302)**	**(385,982)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**0**	**1,908,021**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(3,482,302)**	**1,522,039**

Mikheil Japaridze
Director

Lasha Lapachi
Director

NOTES
STATEMENT OF FINANCIAL POSITION

ASSETS	**Notes**	**2022**	**2021**
Property and equipment	14	4,621,555	5,277,751
Intangible assets	15	473,576	603,473
Investment property	16	3,241,471	662,800
Deferred acquisition costs	9	2,458,473	2,230,539
Reinsurance assets	17	27,493,503	21,458,259
Other assets	18	667,310	2,608,055
Insurance and reinsurance receivables	19	73,327,900	57,318,780
Amounts due from credit institutions	20	12,107,278	7,617,222
Cash and cash equivalents	20	7,111,223	6,145,075
TOTAL ASSETS		**131,502,289**	**103,921,954**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	9,128,050	4,550,210
Revaluation surplus		2,066,928	2,066,928
Retained earnings	21	(2,054,166)	1,506,179
TOTAL EQUITY		**9,140,812**	**8,123,317**
LIABILITIES			
Liabilities from insurance contracts	17	69,988,167	54,764,350
Other insurance liabilities	22	44,363,104	31,966,015
Deferred commission income from reinsurance contracts	6	248,567	354,012
Borrowings and lease liability	23	2,798,253	3,369,215
Trade and other payables	24	4,518,957	4,930,243
Deferred tax liability	13	26,178	42,727
Current income tax		418,251	372,075
TOTAL LIABILITIES		**122,361,477**	**95,798,637**
TOTAL EQUITY AND LIABILITIES		**131,502,289**	**103,921,954**

Mikheil Japaridze
Director

Lasha Lapachi
Director

NOTES
STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation surplus	Retained earnings	Total
At 1 January 2021	**3,485,210**	**158,907**	**2,058,026**	**5,702,143**
Issue of ordinary shares	1,065,000	-	-	1,065,000
Profit/Loss for the year	-	-	(385,982)	(385,982)
Other comprehensive income	-	1,908,021	-	1,908,021
Dividends paid	-	-	(165,865)	(165,865)
At 31 December 2021	**4,550,210**	**2,066,928**	**1,506,179**	**8,123,317**
Issue of ordinary shares	4,577,840	-	-	4,577,840
Profit/Loss for the year	-	-	(3,482,302)	(3,482,302)
Dividends paid	-	-	(78,043)	(78,043)
At 31 December 2022	**9,128,050**	**2,066,928**	**(2,054,166)**	**9,140,812**

Mikheil Japaridze
Director

Lasha Lapachi
Director

NOTES
STATEMENT OF CASH FLOWS

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (insurance premium)		62,381,098	54,494,837
Payments to reinsurers		(1,633,771)	(2,500,380)
Net receipts of premiums		**60,747,327**	**51,994,457**
Payments for insurance claims		(53,141,470)	(38,317,168)
Reimbursements from reinsurers, subrogation and salvage property		9,387,916	2,457,891
Net payments for insurance claims		**(43,753,554)**	**(35,859,277)**
Payments for acquisition costs		(859,042)	(1,020,645)
Payments for leases		(548,318)	(505,604)
Payments to suppliers and employees		(12,255,061)	(8,012,192)
Net cash flow generated from operations		**3,331,352**	**6,596,739**
Interest paid		(209,947)	(180,385)
Taxes paid		(2,484,164)	(2,187,920)
Net cash generated by operating activities		**637,241**	**4,228,434**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed and intangible assets		(155,709)	(76,947)
Loans issued		(7,544)	(63,000)
Repayment of loans issued		63,000	0
Interest received		726,078	389,843
Net cash generated by investing activities		**625,825**	**249,896**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of new borrowings		2,912,354	500,000
Repayment of borrowings		(2,578,974)	(500,000)
Proceeds from issue of shares	21	4,672,237	1,065,000
Dividends paid	21	(74,141)	(157,572)
Net cash generated by financing activities		**4,931,476**	**907,428**
CASH AND CASH EQUIVALENTS			
At 1 January		**13,662,195**	**8,556,132**
Net increase in the year		6,194,542	5,385,758
Effect of exchange rate changes on cash and cash equivalents held		(848,085)	(279,695)
At 31 December	20 b	**19,008,652**	**13,662,195**
COMPRISING			
Cash and cash equivalents	20	7,111,223	6,145,075
Amounts due from credit institutions	20	12,107,278	7,617,222
TOTAL PER THE STATEMENT OF FINANCIAL POSITION		**19,218,501**	**13,762,297**
Less accrued interest		(209,849)	(100,102)
TOTAL FOR THE STATEMENT OF CASH FLOWS PURPOSES	20 b	**19,008,652**	**13,662,195**

Mikheil Japaridze
Director

Lasha Lapachi
Director

NOTES

1. GENERAL INFORMATION

Ardi Insurance JSC (the Company) is a Joint-Stock Company domiciled in and registered under the laws of Georgia at March 31, 2010. The Company operates by head office and 5 service centers and provides different life and non-life insurance services in Georgia, life insurance contains contracts issued for insuring bank loans given to the beneficiary and accordingly insurance contract is affective during the period of the loan agreement (see Note 4). The registered office of the Company is 3 Vazha-Pshavela avenue, Tbilisi.

The ordinary shareholders of the Company are:

	2022	2021
Gazelle Finance Georgia LLC	36.00%	6.32%
Armaz Tavadze	35.00%	63.16%
Zaza Nishnianidze	20.00%	21.05%
William Thomas Ipsen	2.59%	-
Kartlos Koranashvili	1.78%	2.63%
Mikheil Japaridze	1.78%	2.63%
Eka Ergemlidze	1.78%	2.63%
Lasha Lapachi	1.07%	1.58%
	100%	**100%**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) 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 2022.

The financial statements comprise a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. The statement of financial position format is in order of liquidity.

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

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

Going Concern

The Company is facing some financial and operational difficulties detailed as under:

1. The company's regulatory capital and other solvency ratios are not in compliant with the specific requirements of applicable insurance laws in state of Georgia for the year ended 31 December 2022.
2. During the year the company incurred losses of Gel (3,482,302), resultantly the accumulated losses have reached to Gel (2,054,166).
3. From the 01 January 2023, International Financial reporting standard 9 (IFRS-9) is applicable and implications of said IFRS may have some adverse impacts on measurement and valuation of the financial assets of the company.

Mitigating Factors

The company acknowledged the required supervisory capital deficit and is in process of implementation on its multi-faceted plan to overcome the financial and operational difficulties faced by the Company. The plan and efforts on the financial and operational conditions of the Company are discussed below:

1- During the year ended 31 December 2022 the Shareholders have injected fresh equity of 1,700,000 million USD (4,577,840 Gel) and are further ready to inject 10 million GEL till the end 2023 year. The said injections shall materially reduce the short fall in regulatory capital and shall strengthen the solvency ratios as well.
2- If company`s business plan along with fresh equity injection could not fill the gap of regulatory capital short fall then the current shareholders of the company are ready to cover the short fall by additional new capital injections.
3- The management has chalked out a business plan with detailed lines of business projections and with all key ratios (loss ratio, acquisition expense ratio, OPEX, combined ratio), the said plan shows that the company shall be in compliance with all regulatory requirements in ensuing years.
4- The management of the company has also prepared a plan to limit its administrative and operating expenses without, however, effecting the operational efficiency of the company.
5- Further to strengthen the financial position, the shareholders have agreed to waive all dividend pay-outs for coming years till all regulatory requirements are complied with.
6- The company is going to share the above plans with the regulatory body and the management is hopeful that the said plan will be approved by the regulator.

The above-mentioned plans / efforts will help the company to overcome its financial problems to great extent and will result in improvement of its financial and operational position. In view of these plans and with the outcome of mitigating factors as explained above, the management is confident that the Company will be able to continue as a going concern if things moved as planned above.

NOTES (CONTINUED)

(B) NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

New and amended standards in issue but not yet effective

International Accounting Standards Board (IASB) has issued certain new standards, interpretations and amendments to existing standards that are effective for subsequent reporting periods. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Company's management does not expect that any other standard issued by IASB that has not yet entered into force will have a material impact on the Company' s financial statements:

- Insurance companies have the option to continue using IAS 39 instead of IFRS 9 financial instruments until 2023;

- In May 2017, IFRS 17 insurance contracts were issued, which will replace IFRS 4 from 2023;

NOTES (CONTINUED)

(C) INSURANCE REVENUE AND EXPENSES RECOGNITION

Gross premiums

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

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

Reinsurance premiums

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

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

Insurance benefits and claims

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

NOTES (CONTINUED)

(D) FINANCIAL INSTRUMENTS

Initial recognition and measurement

The Company recognizes a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Company recognizes all financial assets and financial liabilities at fair value. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price.

Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition. During the reporting period, the Company classified financial assets as loans and receivables - non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortized cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or collectability. Typically trade and other receivables, bank balances and cash are classified in this category.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

In addition, for insurance premium receivables that are assessed not to be impaired individually, the Company assesses them collectively for impairment, based on the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

The carrying amount of loans and receivables is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition of financial assets

Irrespective of the legal form of the transactions, financial assets are derecognized when they pass the "substance over form" based derecognition test prescribed by IAS 39. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognized / derecognized in full or recognized to the extent of the Company's continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

NOTES (CONTINUED)

Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorized 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 are carried at amortized cost using the effective interest method.

Typically, trade and other payables and borrowings are classified in this category. 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.

Derecognition of financial liabilities

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

Assets related to insurance

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

Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

NOTES (CONTINUED)

(E) LIABILITIES FROM INSURANCE CONTRACTS

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

The unearned premiums reserve (UPR) represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized 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.

Liability adequacy test

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

(F) 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 recognized as an expense when incurred.

Subsequent to initial recognition, DACs are amortized over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortized in the same manner as the underlying asset amortization 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 amortization 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 recognized in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

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

NOTES (CONTINUED)

(G) PROPERTY AND EQUIPMENT

On initial recognition, items of property and equipment are recognized 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 and equipment other than buildings are carried at cost less any accumulated depreciation and impairment losses. Buildings are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

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:

Buildings	4% straight line
Computers and other technical equipment	20-33% straight line
Furniture and office equipment	20-50% straight line
Vehicles	14% straight line
Other	10-20% straight line
Land is not depreciated	

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 and equipment is derecognized 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 and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Right-of-use assets

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable. Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset.

NOTES (CONTINUED)

(H) INTANGIBLE ASSETS

On initial recognition, intangible assets acquired separately are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. The estimated useful life and amortization method (15% straight line) are revised at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset - measured as the difference between the net disposal proceeds and the carrying amount of the asset - are recognized in profit or loss when the asset is derecognized.

(I) INVESTMENT PROPERTY

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

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

Subsequently, investment properties 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 of 20 years. Land is not depreciated. Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

(J) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of property and equipment, intangible assets, investment property and DAC are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of the asset / unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / unit whose impairment is being measured.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

NOTES (CONTINUED)

(K) FOREIGN CURRENCY TRANSACTIONS

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

	GEL / USD	GEL / EUR
Exchange rate as at 31 December 2022	2.70	2.88
Average rate for the year ended 31 December 2022	2.92	3.08
Exchange rate as at 31 December 2021	3.10	3.50
Average rate for the year ended 31 December 2021	3.22	3.81
Exchange rate as at 31 December 2020	3.28	4.02

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

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

(L) INCOME TAXES

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 recognized 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 realized 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 recognized only to the extent that the Company considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilized 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 recognized in profit or loss, except if it arises from transactions or events that are recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or directly in equity, respectively.

(M) PROVISIONS

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

NOTES (CONTINUED)

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

(O) ASSESSMENT OF WHETHER THE COMPANY'S ACTIVITIES ARE PREDOMINATLY CONNECTED WITH INSURANCE

The temporary exemption from IFRS 9 applies for those entities whose activities are predominantly connected with insurance. Eligibility is assessed at the reporting entity level and is therefore applied at the reporting entity level – i.e. it applies to all financial assets and financial liabilities held by the reporting entity.

The Company applied temporary exemption from IFRS 9 as:

- the Company has not previously applied any version of IFRS 9; and
- Company's activities as a whole are predominantly connected with insurance

Under IFRS 4, an insurer's activities are predominantly connected with insurance if, and only if:

- (a) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts, is significant compared to the total carrying amount of all its liabilities; and
- (b) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is:
  - (i) greater than 90 per cent; or
  - (ii) less than or equal to 90 per cent but greater than 80 per cent, and the insurer does not engage in a significant activity unconnected with insurance.

Under IFRS 4, liabilities connected with insurance comprise:

(a) Liabilities arising from contracts within the scope of IFRS 4;

(b) Non-derivative investment contract liabilities measured at fair value through profit or loss applying IAS 39; and (c) Liabilities that arise because the insurer issues, or fulfils obligations arising from, the contracts in (a) and (b). Examples of such liabilities include derivatives used to mitigate risks arising from those contracts and from the assets backing those contracts, relevant tax liabilities such as the deferred tax liabilities for taxable temporary differences on liabilities arising from those contracts, and debt instruments issued that are included in the insurer's regulatory capital, liabilities for salaries and other employment benefits for the employees of the insurance activities.

As at 31 December 2022 liabilities connected with insurance comprised:

	31 December 2022
Liabilities connected with insurance within the scope of IFRS 4	
Insurance provisions	111,788,633
Liabilities connected with insurance not within the scope of IFRS 4	
Commision payables	2,811,205
Total carrying amount of liabilities connected with insurance	114,599,838

NOTES (CONTINUED)

Total carrying amount of liabilities	122,361,477
Percentage of the total carrying amount of Company's liabilities connected with insurance relative to the total carrying amount of all its liabilities	i.e. 91%

The Company is not engaged in any significant activities unconnected with the insurance from which it may earn income and incur expenses. The Company is subject to all regulatory requirements related to insurers and considers insurance risk as its main business risk. In addition, the Company did not identify any quantitative or qualitative factors (or both), including publicly available information, that could indicate that regulatory bodies or other users of the company's separate financial statements apply other industry classification to the Company.

Based on the assessment performed the Company concludes that as at 31 December 2022 the Company's activities are predominantly connected with insurance.

3. SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under general insurance contracts is the Company's most significant accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position insurance liability. General insurance claims provisions are not discounted for the time value of money.

Impairment of insurance, reinsurance and subrogation receivables

The Company estimates impairment of receivables derived from insurance and reinsurance contracts. Factors that the Company considers whether a financial asset is impaired is its overdue status or bad credit rating of a debtor. The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

NOTES (CONTINUED)

Deferred acquisition costs (DAC)

The amount of acquisition costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the acquisition. For long-term insurance contracts without fixed terms and insurance contracts with DAC are amortized over the expected total life of the contract as a constant percentage of estimated gross profit margins arising from these contracts in accordance with the accounting policy.

Useful lives of property and equipment and intangible assets

Property and equipment and intangible assets are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

Fair value of property

Fair value of properties is determined by independent professionally qualified appraisers. Fair value is mainly determined using the sales comparison method. The estimate is subject to change as new transaction data and market evidence becomes available.

Income tax

The Company is subject to income tax and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities.

NOTES (CONTINUED)

4. NET INSURANCE REVENUE

	2022			2021		
	Gross premiums	**Premiums ceded to reinsurers**	**Net premiums**	**Gross premiums**	**Premiums ceded to reinsurers**	**Net premiums**
Medical (Health)	57,155,043	-	57,155,043	41,362,630	-	41,362,630
Road Transport Means	6,292,401	(615,461)	5,676,940	5,696,459	(328,265)	5,368,194
MTPL (Compulsory)	2,333,863	-	2,333,863	1,275,348	-	1,275,348
Property	1,752,480	(486,005)	1,266,475	2,502,617	(592,033)	1,910,584
Suretyships	1,429,948	(1,370,824)	59,124	3,501,829	(2,089,958)	1,411,871
Personal Accident	793,805	(32,636)	761,169	647,596	(53,353)	594,243
Third Party Liability	792,465	(123,186)	669,279	1,454,517	(134,756)	1,319,761
Motor TPL	716,646	-	716,646	746,087	-	746,087
Travel	592,904	-	592,904	514,333	-	514,333
Cargo	338,672	(82,576)	256,096	602,263	(108,999)	493,264
Life	135,960	(124,537)	11,423	561,324	(423,232)	138,092
Financial Loss Risks	106,282	(8,579)	97,703	36,972	-	36,972
Aviation Transport (Hull)	98,504	3,594	102,098	36,879	(29,748)	7,131
Aviation TPL	66,705	(59,609)	7,096	-	-	-
Marine Transport (Hull)	(2,068)	1,237	(831)	22,383	(13,248)	9,135
	72,603,610	**(2,898,582)**	**69,705,028**	**58,961,237**	**(3,773,592)**	**55,187,645**
Changes in UPR	(7,042,138)	(552,793)	(7,594,931)	(3,408,484)	196,480	(3,212,004)
Net insurance revenue	**65,561,472**	**(3,451,375)**	**62,110,097**	**55,552,753**	**(3,577,112)**	**51,975,641**

The product called 'life insurance' is a short-term insurance contract, based on which a fixed amount is paid to a beneficiary when the insured person dies within the contract term, insurance contracts are issued for insuring bank loans given to the beneficiary and accordingly insurance contract is effective during the period of the loan agreement.

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

Unearned premium reserve is disclosed in Note 17.

NOTES (CONTINUED)

5. INTEREST INCOME AND EXPENSE

	2022	2021
Interest income from loans issued	276,629	295,073
Interest income from deposits	867,221	453,241
Interest income	**1,143,850**	**748,314**
Interest expense on bank loans	(209,947)	(180,385)
Interest expense on other loans	(1,452)	-
Interest expense on lease liability	(27,312)	(79,868)
Interest expense	**(238,711)**	**(260,253)**
Net interest income	**905,139**	**488,061**

6. COMMISSION INCOME

	2022	2021
Gross commission income	360,605	570,721
Commission income deferred	(146,677)	(278,705)
Amortization of prior period income deferred	252,122	289,696
Commission income	**466,050**	**581,712**

Commission income is generated from reinsurance contracts and calculated as the certain percentage of earned premiums.

Movement of deferred commission income:

	2022	2021
At 1 January	**354,012**	**365,003**
Gross commission income	360,605	570,721
Amortization	(466,050)	(581,712)
At 31 December	**248,567**	**354,012**

The realization of deferred commission income amounted GEL 185,130 (2021: GEL 129,532) is expected within 12 months' scope.

NOTES (CONTINUED)

7. INSURANCE BENEFITS AND CLAIMS PAID

	2022			2021		
	Paid	**Ceded to reinsurers**	**Net payment**	**Paid**	**Ceded to reinsurers**	**Net payment**
Medical (Health)	38,816,011	-	38,816,011	30,676,313	-	30,676,313
Suretyships	9,016,840	(6,756,280)	2,260,560	3,148,649	(1,138,328)	2,010,321
Road Transport Means	4,793,591	(98,015)	4,695,576	4,346,968	(78,169)	4,268,799
Motor TPL	826,910	-	826,910	830,985	-	830,985
MTPL (Compulsory)	242,697	-	242,697	118,254	-	118,254
Life	228,674	(66,300)	162,374	244,378	(27,373)	217,005
Aviation Transport (Hull)	224,594	(224,594)	-	9,667	(9,667)	-
Property	124,646	-	124,646	124,188	-	124,188
Financial loss Risks	94,245	-	94,245	87,872	-	87,872
Travel	40,504	-	40,504	30,638	-	30,638
Third Party Liability	18,500	-	18,500	1,500	-	1,500
Cargo	15,929	-	15,929	113,283	-	113,283
Personal Accident	14,982	-	14,982	18,920	-	18,920
Other Expenses related to claims handling	15,021	-	15,021	31,882	-	31,882
	54,473,144	**(7,145,189)**	**47,327,955**	**39,783,497**	**(1,253,537)**	**38,529,960**

Other expenses related to claims handling are expertise costs, that are incurred in order to determine claim volume.

8. SUBROGATION AND RECOVERIES

Movement of receivable from subrogation and recoveries:

	2022	**2021**
At 1 January	**26,825,842**	**20,675,834**
Net income from subrogation and recoveries	**16,704,528**	**8,857,924**
Compensations received	(7,658,792)	(2,587,454)
Sale of salvage property	(627)	(120,462)
At 31 December	**35,870,951**	**26,825,842**

Movement of reinsurers' share in subrogation receivable:

	2022	**2021**
At 1 January	**22,270,928**	**16,682,846**
Reinsurers' share in net income from subrogation and recoveries	**12,892,837**	**6,570,988**
Compensations received	(4,070,536)	(982,906)
At 31 December	**31,093,229**	**22,270,928**

NOTES (CONTINUED)

9. COMMISSION EXPENSES (ACQUISITION COSTS)

	2022	2021
Acquisition costs	5,200,933	4,893,753
Acquisition costs deferred	(2,201,790)	(1,956,043)
Amortization of deferred acquisition cost	1,973,856	1,846,826
Commission expenses	**4,972,999**	**4,784,536**

Movement of deferred acquisition costs:

	2022	2021
At 1 January	**2,230,539**	**2,121,322**
Expenses deferred	5,200,933	4,893,753
Amortization (acquisition costs)	(4,972,999)	(4,784,536)
At 31 December	**2,458,473**	**2,230,539**

The deferred acquisition costs will be expensed during the period of:

	2022	2021
Less than 1 year	2,319,906	1,909,715
More than 1 year and less than 5 years	138,567	320,824
	2,458,473	**2,230,539**

10. GENERAL AND OTHER ADMINISTRATIVE EXPENSES

	2022	2021
Employee compensation	7,364,361	6,147,154
Depreciation and Amortization	1,230,927	1,084,949
Insurance State Supervision fee	655,616	494,053
Software maintenance	369,918	158,641
Audit and consultation	323,872	109,526
Communication and utilities	260,897	220,575
Taxes other than CIT	221,406	182,633
CIC membership fee	204,544	215,883
Office expenses	167,627	140,804
Representative expenses	154,478	40,503
Other G&A	635,429	460,909
General and administrative expenses	**11,589,075**	**9,255,630**

Rent includes rent expenses on short-term leases and on leases, where leased asset has low value.

Audit and consultation expenses includes audit fee amounted GEL 73,160 (2021: GEL 73,160).

NOTES (CONTINUED)

11. MARKETING EXPENSES

	2022	2021
Salary of sales staff	736,366	718,902
Advertising expenses	168,328	217,257
Other sales expenses	5,080	17,055
	909,774	**953,214**

12. IMPAIRMENT AND WRITE OFF EXPENSE

	2022	2021
Impairment of insurance premium receivable	2,580,974	439,773
Impairment of loans issued (other assets)	782,993	68,235
Impairment and write off expense	**3,363,967**	**508,008**

13. INCOME TAX

	2022	2021
Current income tax expense	(17,187)	47,794
Deferred income tax expense	(16,549)	72,376
Write-off of current income taxes	(61,754)	-
Income tax expense	**(95,490)**	**120,170**

Reconciliation of income tax expense:

	2022	2021
Profit before income tax expense	59,205	(265,812)
Tax thereon at 15%	**8,881**	**(39,872)**
Temporary differences	16,549	(72,376)
Permanent differences	(42,617)	160,042
Current income tax expense	**(17,187)**	**47,794**

Deferred tax liability comprises temporary differences attributable to:

	2022	2021
Property and equipment	109,418	230,434
Acquisition costs	(24,932)	(36,660)
Lease liabilities	(58,308)	(151,047)
	26,178	**42,727**

14. PROPERTY AND EQUIPMENT

	Building	Right-of-use assets	Computers and other technical equipment	Furniture and office equipment	Vehicles	Leasehold imp. and other	Total
Cost							
At 31 Jan 2021	**1,553,100**	**1,785,993**	**810,174**	**469,273**	**108,872**	**992,582**	**5,719,994**
Additions	-	255,546	131,883	47,070	37,036	62,444	533,979
Revaluation	1,908,021	-	-	-	-	-	1,908,021
Transfer *	(374,310)	-	-	-	-	-	(374,310)
Disposals	-	(162,258)	-	-	(34,372)	-	(196,630)
At 31 Dec 2021	**3,086,811**	**1,879,281**	**942,057**	**516,343**	**111,536**	**1,055,026**	**7,591,054**
Additions	2,087	-	233,259	77,975	35,375	69,046	417,742
Disposals	-	-	(1,115)	-	-	(2,350)	(3,465)
At 31 Dec 2022	**3,088,898**	**1,879,281**	**1,174,201**	**594,318**	**146,911**	**1,121,723**	**8,005,332**
Accumulated depreciation							
At 31 Jan 2021	**308,586**	**617,768**	**387,304**	**260,277**	**75,599**	**234,828**	**1,884,362**
Depreciation for the period	65,724	475,225	126,717	62,812	13,288	186,802	930,568
Transfer *	(374,310)	-	-	-	-	-	(374,310)
Disposals	-	(76,885)	-	-	(50,432)	-	(127,317)
At 31 Dec 2021	**-**	**1,016,108**	**514,021**	**323,089**	**38,455**	**421,630**	**2,313,303**
Depreciation for the period	123,472	495,077	160,560	73,093	18,461	199,810	1,070,473
At 31 Dec 2022	**123,472**	**1,511,185**	**674,581**	**396,182**	**56,916**	**621,440**	**3,383,776**
Net carrying amount							
At 31 Dec 2021	**3,086,811**	**863,173**	**428,036**	**193,254**	**73,081**	**633,396**	**5,277,751**
At 31 Dec 2022	**2,965,426**	**368,096**	**499,620**	**198,136**	**89,995**	**500,283**	**4,621,555**

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross.

The valuation of buildings (556 sq.m. office space on 3 Vazha-Pshavela ave., Tbilisi and 95 sq.m. office space on 16 Aghmashenebeli str., Poti) was performed on 30 December 2021 by independent valuator Nexia TA Ltd in accordance with International Valuation Standards (IVS) using market approach.

If the building was stated on a historical cost basis, the amounts would have been as follows:

	2022	2021
Cost	1,662,977	1,662,977
Accumulated depreciation	(691,980)	(625,461)
Net book value	**970,997**	**1,037,516**

The building is pledged as security for the loan from Procredit Bank JSC (Note 23).

Depreciation has been charged entirely to general and administrative expenses.

NOTES (CONTINUED)

For the year ending cost of fully depreciated Computers and other technical equipment equals to GEL 263,797 (2021: GEL 237,082). Furniture and office equipment equals to 183,582 (2021: GEL 161,342).

15. INTANGIBLE ASSETS

	Licenses	Computer software	Crypto-currency	Other	Total
Cost					
At 1 January 2021	**64,877**	**782,980**	**-**	**1,900**	**849,757**
Additions	-	205,163	30,842	-	236,005
Revaluation expense	-	-	(2,810)	-	(2,810)
At 31 December 2021	**64,877**	**988,143**	**28,032**	**1,900**	**1,082,952**
Additions	-	32,718	67,997	-	100,715
Revaluation expense	-	-	(70,158)	-	(70,158)
At 31 December 2022	**64,877**	**1,020,861**	**25,871**	**1,900**	**1,113,509**
Accumulated depreciation					
At 1 January 2021	**32,181**	**291,349**	**-**	**1,568**	**325,098**
Depreciation for the period	9,732	144,364	-	285	154,381
At 31 December 2021	**41,913**	**435,713**	**-**	**1,853**	**479,479**
Depreciation for the period	9,732	150,675	-	47	160,454
At 31 December 2022	**51,645**	**586,388**	**-**	**1,900**	**639,933**
Net carrying amount					
At 31 December 2021	**22,964**	**552,430**	**28,032**	**47**	**603,473**
At 31 December 2022	**13,232**	**434,473**	**25,871**	**-**	**473,576**

Amortization has been charged entirely to general and administrative expenses.

16. INVESTMENT PROPERTY

	2022	**2021**
Land plots	3,153,854	602,300
Apartment under construction	87,617	60,500
	3,241,471	**662,800**

Movements if Investments property are presented below:

Balance at 31/12/2021	**662,800**
Transferred from issued loans	1,228,671
Received from subrogation	1,350,000
Balance at 31/12/2022	**3,241,471**

The property is in Georgia and is not rented out. Investment property amounted 1,074,104 is pledged as collateral for Ardi Property (Related party).

NOTES (CONTINUED)

17. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

	2022	2021
Unearned premium provision (UPR)	32,799,615	25,757,477
Provisions for claims reported by policyholders (RBNS)	35,273,023	27,299,690
Provisions for claims incurred but not reported (IBNR)	1,915,529	1,707,183
Liabilities from insurance contracts	**69,988,167**	**54,764,350**

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

	2022	2021
Reinsurers' share in unearned premium provision (UPR)	1,303,515	1,856,308
Reinsurers' share in provisions for claims reported by policyholders (RBNS)	26,045,059	19,413,271
Reinsurers' share in provisions for claims incurred but not reported (IBNR)	144,929	188,680
Reinsurance assets	**27,493,503**	**21,458,259**

Liabilities from insurance contracts net of reinsurance were as follows:

	2022	2021
Unearned premium provision (UPR)	31,409,563	23,814,632
Provisions for claims reported by policyholders (RBNS)	9,227,964	7,886,419
Provisions for claims incurred but not reported (IBNR)	1,770,600	1,518,503
Net liabilities from insurance contracts	**42,408,127**	**33,219,554**

NOTES (CONTINUED)

a) Analyses of movement in UPR, gross of reinsurance:

	2022	2021
Balance at 1 January	**25,757,477**	**22,348,993**
Gross written premium	72,603,613	58,961,237
Gross earned premium	(65,561,475)	(55,552,753)
Balance at 31 December	**32,799,615**	**25,757,477**

b) Analyses of movement in UPR, reinsurer's share:

	2022	2021
Balance at 1 January	**1,856,308**	**1,659,828**
Reinsurer's share of gross written premium	2,898,582	3,773,592
Gross reinsurer's earned premium	(3,451,375)	(3,577,112)
Balance at 31 December	**1,303,515**	**1,856,308**

c) Analyses of movement in UPR, net of reinsurance:

	2022	2021
Balance at 1 January	**23,814,632**	**20,602,628**
Net written premium	69,705,028	55,187,645
Net earned premium	(62,110,097)	(51,975,641)
Balance at 31 December	**31,409,563**	**23,814,632**

d) Analyses of movement in claims provisions, gross of reinsurance:

	2022	2021
Balance of incurred but not reported at 1 January	1,707,183	1,594,818
Balance of reported but not settled claims at 1 January	27,299,690	20,209,485
Total provisions for claims at 1 January	**29,006,873**	**21,804,303**
Payments in respect of prior year claims	(9,328,387)	(4,859,909)
Change in estimates in respect of prior year claims	(156,257)	(3,451,973)
Expected cost of current year claims	62,796,057	50,406,158
Payments in respect of current year claims	(45,129,735)	(34,891,706)
Total provisions for claims at 31 December	**37,188,551**	**29,006,873**
Balance of incurred but not reported at 31 December	1,915,529	1,707,183
Balance of reported but not settled claims at 31 December	35,273,022	27,299,690

NOTES (CONTINUED)

e) Analyses of movement in claims provisions, reinsurer's share:

	2022	2021
Balance of incurred but not reported at 1 January	188,680	195,381
Balance of reported but not settled claims at 1 January	19,413,271	13,440,473
Total provisions for claims at 1 January	**19,601,951**	**13,635,854**
Payments in respect of prior year claims	(2,865,167)	(311,761)
Change in estimates in respect of prior year claims	(1,222,533)	(2,142,642)
Expected cost of current year claims	14,955,757	9,362,276
Payments in respect of current year claims	(4,280,021)	(941,776)
Total provisions for claims at 31 December	**26,189,987**	**19,601,951**
Balance of incurred but not reported at 31 December	144,929	188,680
Balance of reported but not settled claims at 31 December	26,045,058	19,413,271

f) Analyses of movement in claims provisions, net of reinsurance:

	2022	2021
Balance of incurred but not reported at 1 January	1,518,503	1,399,437
Balance of reported but not settled claims at 1 January	7,886,419	6,769,012
Total provisions for claims at 1 January	**9,404,922**	**8,168,449**
Payments in respect of prior year claims	(6,463,219)	(4,548,148)
Change in estimates in respect of prior year claims	1,066,275	(1,309,331)
Expected cost of current year claims	47,840,300	41,043,882
Payments in respect of current year claims	(40,849,714)	(33,949,930)
Total provisions for claims at 31 December	**10,998,564**	**9,404,922**
Balance of incurred but not reported at 31 December	1,770,600	1,518,503
Balance of reported but not settled claims at 31 December	9,227,964	7,886,419

g) RBNS by insurance products:

	31 December 2022			**31 December 2021**		
	Provisions for claims reported by policyholders	**Reinsurers' share in RBNS**	**NET**	**Provisions for claims reported by policyholders**	**Reinsurers' share in RBNS**	**NET**
Suretyships	29,517,518	25,935,233	3,582,285	21,673,371	19,021,053	2,652,318
Medical (Health)	4,714,596	-	4,714,596	4,554,699	-	4,554,699
Road Transport Means	367,449	8,808	358,641	180,738	12,228	168,510
Life	195,569	67,683	127,886	175,602	40,123	135,479
Property	126,477	33,334	93,143	185,636	78,640	106,996
MTPL (Compulsory)	85,238	-	85,238	27,688	-	27,688
Travel	70,985	-	70,985	52,202	-	52,202
Motor TPL	69,474	-	69,474	13,925	-	13,925
Cargo	47,174	-	47,174	71,511	-	71,511
Financial Loss Risks	43,742	-	43,742	50,873	-	50,873
Personal Accident	23,427	-	23,427	20,662	-	20,662
Third Party Liability	11,373	-	11,373	31,556	-	31,556
Aviation Transport	-	-	-	261,227	261,227	-
Total	**35,273,022**	**26,045,058**	**9,227,964**	**27,299,690**	**19,413,271**	**7,886,419**

NOTES (CONTINUED)

h) IBNR by insurance products:

	IBNR 2022	IBNR net of reinsurance 2022	IBNR 2021	IBNR net of reinsurance 2021
Medical (Health)	1,143,101	1,143,101	827,253	827,253
Road Transport Means	314,620	283,847	284,823	268,410
Motor Third Party Liability (Compulsory)	116,693	116,693	63,767	63,767
Property	87,624	63,324	125,131	95,529
Suretyships	71,498	2,957	175,091	70,594
Personal Accident	39,690	38,058	32,380	29,711
Third Party Liability	39,623	33,464	72,726	65,987
Motor Third Party Liability	35,832	35,832	37,304	37,304
Travel	29,645	29,645	25,717	25,717
Cargo	16,934	12,805	30,113	24,663
Life	6,798	571	28,066	6,905
Financial Loss Risks	5,314	4,885	1,849	1,849
Aviation Transport Means (Hull)	4,925	5,105	1,844	357
Aviation TPL	3,335	355	-	-
Marine Transport Means (Hull)	(103)	(42)	1,119	457
Total	**1,915,529**	**1,770,600**	**1,707,183**	**1,518,503**

j) aging of Provisions for claims reported by policyholders (RBNS) based on claim dates for the year ended 31 December 2022 is presented below:

	Less than 1 year	1-5 year	more than 5 year	Total
Providers	4,645,989	-	-	4,645,989
Individual	68,607	-	-	68,607
Non-health	12,734,873	17,028,393	795,160	30,558,426
Total:	**17,449,469**	**17,028,393**	**795,160**	**35,273,022**

aging of Provisions for claims reported by policyholders (RBNS) based on claim dates for the year ended 31 December 2021 is presented below:

	Less than 1 year	1-5 year	more than 5 year	Total
Providers	4,503,201	-	-	4,503,201
Individual	51,498	-	-	51,498
Non-health	10,847,843	10,915,203	981,945	22,744,991
Total:	**15,402,542**	**10,915,203**	**981,945**	**27,299,690**

According to the agreements claims should be reported during 3 months after accident occurred.

NOTES (CONTINUED)

18. OTHER ASSETS

	2022	2021
Loans issued	1,750,206	2,744,948
Allowance for impairment losses	(1,331,983)	(548,990)
Net loans issued	**418,223**	**2,195,958**
Advances paid	80,059	85,663
Inventory	61,122	145,078
Prepayments to employees	1,450	16,248
Receivable from sale of investment property	99,000	111,000
Other receivables	7,456	54,108
OTHER ASSETS	**667,310**	**2,608,055**

There is no material difference between the fair value of financial assets included in other assets and their carrying amount.

Issued loans amounted 1,724,650 are collateralized.

As at 31 December, 2022 the company has 8 loans issued (2021: 12), out of which 4 loans are to individuals (2021: 4) and 4 to legal entities (2021: 8). All loan issued are in GEL and interest rate range are from 10% to 20%.

All loans issued, besides one amounted 418,223 GEL are overdue.

The table below analyses changes in the allowance for impairment of loans issued in the period:

	2022	2021
At 1 January	**548,990**	**480,755**
Charge for the year	782,993	68,235
At 31 December	**1,331,983**	**548,990**

Provisions, write-offs and utilization of the allowance for impairment losses are presented in the statement of profit or loss within impairment and write off expense (Note 12).

19. INSURANCE AND REINSURANCE RECEIVABLES

	2022	2021
Insurance premium receivable	36,233,990	28,551,340
Allowance for impairment losses	(5,959,992)	(3,379,018)
Net insurance premium receivable	**30,273,998**	**25,172,322**
Reinsurance receivable	7,182,951	5,320,616
Subrogation receivable net of impairment losses (Note 8)	35,870,951	26,825,842
Insurance receivables	**73,327,900**	**57,318,780**

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

Insurance premium receivable excluding unearned premium and fronting agreements is GEL 9,018,746 (2021: GEL 8,429,464). The receivables are net of commissions that are payable if the receivables are collected.

Analysis of credit risk is provided in Note 25.

NOTES (CONTINUED)

The table below analyses changes in the allowance for impairment losses in the period:

	2022	2021
At 1 January	**3,379,018**	**2,939,245**
Charge for the year	2,580,974	439,773
At 31 December	**5,959,992**	**3,379,018**

Provisions, write-offs and utilization of the allowance for impairment losses are presented in the statement of profit or loss within impairment and write off expense (Note 12).

20. CASH AND CASH EQUIVALENTS, AMOUNTS DUE FROM CREDIT INSTITUTIONS

a) Cash and cash equivalents and amounts due from credit institutions is presented below:

	2022	2021
Cash on current accounts with banks	7,110,801	6,059,486
Cash on hand	422	85,589
Cash and cash equivalents	**7,111,223**	**6,145,075**
Short-term deposits	11,897,429	7,517,120
Accrued interest	209,849	100,102
Amounts due from credit institutions	**12,107,278**	**7,617,222**

Short-term deposits include restricted cash placed on bank accounts to conform to the requirement of regulatory legislation (Note 25, paragraph of Capital Management).

At 31 December 2022 interest rates on deposits in national currency is in range 8 – 14.65% (2021: 6 – 13.6%), in USD: 0.6 – 3.9% (2021: 1.5 - 3.95%)

b) Into the Statement of financial position Cash and Cash equivalent of the company is split between two categories: Cash and Cash equivalent and Amount due from Credit institutions, category Amount due from Credit institutions contains Deposits placed in bank account and accrued interest accordingly. Cash and cash equivalent presented in Cash flow statement for the year end is presented below:

	2022	2021
Cash on current accounts with banks	7,110,801	6,059,486
Cash on hand	422	85,589
Short-term deposits	11,897,429	7,517,120
Amounts due from credit institutions	**19,008,652**	**13,662,195**

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

NOTES (CONTINUED)

21. SHARE CAPITAL

From the Company's authorized share capital of GEL 15,000,000 (1,500,000 ordinary shares with a nominal value of GEL 10 each), GEL 9,128,050 (2021: GEL 4,550,210) is fully paid. Ordinary shareholders are presented in Note 1.

At the end of 2021 one shareholder owned 25,000 preference shares and during 2022 these shares was converted to ordinary shares. Preference shareholder purchased preference shares with a redemption condition, which meant that the company had to pay a pre-determined amount of dividends to the preference shareholder every year, and at the end of the term, preference shares would be converted as ordinary shares.

Particulars	Ordinary Shares	Preference shares	Total Shares
Number of shares at 31 December 2021	**475,000**	**25,000**	**500,000**
New Issue of ordinary shares	465,000		465,000
Converted to ordinary shares	25,000	(25,000)	-
Number of shares at 31 December 2022	**965,000**	**-**	**965,000**

For the requirements of regulatory legislation regarding capital refer to Note 25, paragraph of Capital Management.

Revaluation surplus was recognized upon revaluation of property and equipment (Note 14).

22. OTHER INSURANCE LIABILITIES

	2022	2021
Reinsurance premium payable	5,528,769	6,358,439
Other payables to reinsurers	4,929,901	859,365
Reinsurers' share in subrogation receivable (Note 8)	31,093,229	22,270,928
Insurance agents' commission payable	2,811,205	2,477,283
Other insurance liabilities	**44,363,104**	**31,966,015**

Reinsurer's share in subrogation receivable is measured based on the percentage of reinsurance defined in policy agreement.

23. BORROWINGS

	2022	2021
Procredit Bank JSC	2,354,856	2,362,232
Gazelle Finance Georgia LLC	54,674	-
Borrowings	**2,409,530**	**2,362,232**
Lease liabilities	388,723	1,006,983
Borrowings and lease liabilities	**2,798,253**	**3,369,215**

The lease liability includes the leases calculated according to IFRS 16. The company has leased offices in Tbilisi and in regions. All current leases expire in 2023.

The borrowings are secured by the Company's property, buildings.

NOTES (CONTINUED)

Interest of the loan from Procredit Bank JSC is 8.5% for loan in USD, 5.5% for loan in EUR and 11.26% for loan in GEL. These rates are used for discounting of lease payments to measure lease liabilities.

Interest are paid monthly and principal shall be paid till maturity date. The borrowings shall mature between 2023 to 2025 year.

There is no material difference between the carrying amount and the fair value of the Company's borrowings.

Additional information on borrowings is disclosed in Note 25.2, paragraphs of Liquidity and Currency Risks.

24. TRADE AND OTHER PAYABLES

	2022	2021
Payable to the State Supervisor	491,253	391,164
Payables to suppliers	594,275	470,429
Accruals for employee compensation	936,888	780,430
Deposits received to secure suretyships	2,237,592	2,821,296
Advances received	254,911	179,219
Taxes payable	1,981	285,656
Other payables	2,057	2,049
Trade and other payables	**4,518,957**	**4,930,243**

The carrying amount of liabilities is in line with their fair value at the reporting date.

25. RISK MANAGEMENT

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

Governance framework

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

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

The management board approves the Company risk management policies and meets regularly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

NOTES (CONTINUED)

Capital management objectives, policies and approach

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

The capital management objectives are:

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

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

The Company's capital management policy for its insurance and non-insurance business is to hold sufficient liquid assets to cover statutory requirements based on the regulatory directives.

Approach to capital management

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

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

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

Capital Management

The main objective of capital management is to monitor and maintain, at all times, an appropriate level of capital which is commensurate with the Company's risk profile. The capital management of the Company has the following objectives:

- Compliance with the requirements of Insurance State Supervision Services of Georgia;

- Maintaining the composition and structure of the assets accepted to cover insurance liabilities, when due and to exceed regulatory requirements; and

- Maintaining the required level of stability of the Company thereby providing a degree of security to policyholders.

Regulatory Requirements

On 16 September 2016, ISSSG issued directives №15 and №16 on the determination of the Regulatory Solvency Margin and Regulatory Capital, respectively. The amount of the Solvency Margin for the reporting period is determined by the largest of the figures calculated by the premium and loss-based method and is calculated according to the following formula:

NOTES (CONTINUED)

Max (SRp, SRc), where the terms and notations used have the following meanings:

SRp - Solvency ratio calculated by the premium method;

SRc - Solvency ratio calculated by the loss-based method.

As of 31 December 2022, Regulatory Solvency Margin is 10,649,222 GEL (31 December, 2021: 8,819,101 GEL).

The Regulatory Capital is determined based on the IFRS equity, adjusted as prescribed by the ISSSG directive №16.

The Company currently did not meet the regulatory capital requirement as required by insurance laws applicable in state of Georgia. Deficit in supervisory capital at 31 December 2022, is 7,645,463 GEL in solvency requirements and 4,196,241 in minimum capital requirements.

25.1. Insurance risk

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

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. The Company establishes underwriting guidelines and limits, which stipulate who may accept what risks and the applicable limits. These limits are continuously monitored.

The Company principally issues the following types of general insurance contracts: Property, Marine Transport Means (Hull), Cargo, Third Party Liability, 'Marine Third Party Liability, Surety ships, Travel, Road Transport Means, Personal Accident, Motor Third Party Liability, Financial Risks, Medical (Health). Risks under these policies usually cover twelve-month duration.

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

Geographical concentration of reinsurance premium payables are as follows: 79% - Ireland; 12% - Germany; 9% - Latvia.

Insurance risk management

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, for example hurricanes, earthquakes and flood damages.

NOTES (CONTINUED)

Even though the Company currently does not use direct analysis in creating insurance claims provision and creates insurance provision according to Georgian legislation, which precisely defines what type of reserve should be made and in what quantity, claims provision is adequate to generated claims.

Sources of uncertainty in the estimation of future claim payments

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

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

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

25.2. Financial risks

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

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

In order to effectively manage those risks, the major guidelines used by the Company are the following:

- Minimise interest rate, currency and price risks for all kinds of transactions
- Maximise the use of "natural hedge" favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency. The same strategy is pursued with regard to interest rate risk
- All financial risk management activities are carried out on a prudent and consistent basis and following the best market practices.

NOTES (CONTINUED)

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

FINANCIAL ASSETS	2022	2021
Cash and cash equivalents	7,111,223	6,145,075
Amounts due from credit institutions	12,107,278	7,617,222
Net insurance premium receivable (Note 19)	30,273,998	25,172,322
Reinsurance receivable	7,182,951	5,320,616
Net subrogation receivable (Notes 19 and 22)	4,777,722	4,554,914
Net loans issued (Note 18)	418,223	2,195,958
BALANCE AT 31 DECEMBER	**61,871,395**	**51,006,107**

FINANCIAL LIABILITIES	2022	2021
Net insurance claims (net RBNS and IBNR, Note 17)	10,998,564	9,404,922
Other insurance liabilities (Note 22)	13,269,875	9,695,087
Borrowings and lease liability	2,798,253	3,369,215
Trade and other payables	4,518,957	4,930,243
Current income tax	418,251	372,075
BALANCE AT 31 DECEMBER	**32,003,900**	**27,771,542**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, companied into Levels 1 tò 3 based on the degree to which the fair value is observable:

	2022			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	7,111,223	-	-	7,111,223
Amounts due from credit institutions	12,107,278	-	-	12,107,278
Net insurance premium receivable (Note 19)	-	-	30,273,998	30,273,998
Reinsurance receivable	-	-	7,182,951	7,182,951
Net subrogation receivable (Notes 19 and 22)	-	-	4,777,722	4,777,722
Net loans issued (Note 18)	-	-	418,223	418,223
Total financial assets	**19,218,501**	**-**	**42,652,894**	**61,871,395**
Financial liabilities				
Net insurance claims (net RBNS and IBNR, Note 17)	-	-	10,998,564	10,998,564
Other insurance liabilities (Note 22)	-	-	13,269,875	13,269,875
Borrowings and lease liabilities	-	-	2,798,253	2,798,253
Trade and other payables	-	-	4,518,957	4,518,957
Current income tax	-	-	418,251	418,251
Total financial liabilities	**-**	**-**	**32,003,900**	**32,003,900**

NOTES (CONTINUED)

	2021			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	6,145,075	-	-	6,145,075
Amounts due from credit institutions	7,617,222	-	-	7,617,222
Net insurance premium receivable (Note 19)	-	-	25,172,322	25,172,322
Reinsurance receivable	-	-	5,320,616	5,320,616
Net subrogation receivable (Notes 19 and 22)	-	-	4,554,914	4,554,914
Net loans issued (Note 18)	-	-	2,195,958	2,195,958
Total financial assets	**13,762,297**	**-**	**37,243,810**	**51,006,107**
Financial liabilities				
Net insurance claims (net RBNS and IBNR, Note 17)	-	-	9,404,922	9,404,922
Other insurance liabilities (Note 22)	-	-	9,695,087	9,695,087
Borrowings and lease liabilities	-	-	3,369,215	3,369,215
Trade and other payables	-	-	4,930,243	4,930,243
Current income tax	-	-	372,075	372,075
Total financial liabilities	**-**	**-**	**27,771,542**	**27,771,542**

Credit risk

The Company controls its exposure to credit risk by dealing only with creditworthy counterparties. There are no significant concentrations of credit risk.

The maximum credit risk to which the Company is exposed is summarized in the following table.

	2022	2021
Due from banks (Note 20)	19,218,079	13,676,708
Net past due insurance premium receivable (Note 19)	3,058,754	6,450,978
Reinsurance receivable	7,182,951	5,320,616
Net subrogation receivable (Notes 19 and 22)	4,777,722	4,554,914
Net loans issued (Note 18)	418,223	2,195,958
BALANCE AT 31 DECEMBER	**34,655,729**	**32,199,174**

Aging analysis of past due insurance premium receivable:

Less than 31	1,113,407	2,167,053
Between 31-90	1,007,386	343,822
Between 91-180	499,452	580,447
Between 181-365	598,704	596,594
More than 365	5,799,797	6,142,080
Allowance for impairment losses	(5,959,992)	(3,379,018)
BALANCE AT 31 DECEMBER	**3,058,754**	**6,450,978**

NOTES (CONTINUED)

Liquidity risk - maturity analysis

The Company manages liquidity risk on the basis of expected maturity dates.

Liquidity position as at 31 December 2022:

FINANCIAL ASSETS	Less than 1 year	1-5 year	more than 5 year	Total
Cash and cash equivalents	7,111,223	-	-	7,111,223
Amounts due from credit institutions	12,107,278	-	-	12,107,278
Net insurance premium receivable (Note 19)	873,715	29,360,516	39,766	30,273,998
Reinsurance receivable	7,182,951	-	-	7,182,951
Net subrogation receivable (Notes 19 and 22)	5,006,481	-	-	4,777,722
Net loans issued (Note 18)	1,400,165	-	-	418,223
BALANCE AT 31 DECEMBER	**33,681,813**	**29,360,516**	**39,766**	**61,871,395**

FINANCIAL LIABILITIES	Less than 1 year	1-5 year	more than 5 year	Total
Net insurance claims (net RBNS and IBNR, Note 17)	10,998,564	-	-	10,998,564
Other insurance liabilities (Note 22)	13,269,875	-	-	13,269,875
Borrowings and lease liability	2,760,948	37,306	-	2,798,253
Trade and other payables	4,518,957	-	-	4,518,957
Current income tax	418,251	-	-	418,251
BALANCE AT 31 DECEMBER	**31,966,595**	**37,306**	**-**	**32,003,900**
LIQUIDITY POSITION	**1,715,218**	**29,323,210**	**39,766**	**29,867,495**

Liquidity position as at 31 December 2021:

FINANCIAL ASSETS	Less than 1 year	1-5 year	more than 5 year	Total
Cash and cash equivalents	6,145,075	-	-	6,145,075
Amounts due from credit institutions	7,617,222	-	-	7,617,222
Net insurance premium receivable (Note 19)	24,087,747	314,631	769,944	25,172,322
Reinsurance receivable	5,320,616	-	-	5,320,616
Net subrogation receivable (Notes 19 and 22)	4,554,914	-	-	4,554,914
Net loans issued (Note 18)	2,195,958	-	-	2,195,958
BALANCE AT 31 DECEMBER	**49,921,532**	**314,631**	**769,944**	**51,006,107**

FINANCIAL LIABILITIES	Less than 1 year	1-5 year	more than 5 year	Total
Net insurance claims (net RBNS and IBNR, Note 17)	9,404,922	-	-	9,404,922
Other insurance liabilities (Note 22)	9,695,087	-	-	9,695,087
Borrowings and lease liability	2,923,579	445,636	-	3,369,215
Trade and other payables	4,930,243	-	-	4,930,243
Current income tax	372,075	-	-	372,075
BALANCE AT 31 DECEMBER	**27,325,906**	**445,636**	**-**	**27,771,542**
LIQUIDITY POSITION	**22,595,625**	**-131,005**	**769,944**	**23,234,565**

NOTES (CONTINUED)

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.

Guarantee contracts are appropriately secured.

Foreign currency risk

Foreign currency denominated assets and liabilities give rise to foreign exchange exposure. The Company does not have any formal procedures on managing currency risk, however, management consider themselves to be well informed on the tendencies in the economy and has undertaken steps to minimize its currency risks.

Financial assets by currency

Financial assets as at 31 December are analyzed by currency as follows:

	GEL	**USD**	**EUR**	**Total**
Cash and cash equivalents	4,695,273	1,159,391	1,256,559	7,111,223
Amounts due from credit institutions	4,308,984	7,798,294	-	12,107,278
Past due insurance premium receivable	7,053,710	1,839,573	125,463	9,018,746
BALANCE AT 31 DECEMBER 2022	**16,057,967**	**10,797,258**	**1,382,022**	**28,237,247**
Cash and cash equivalents	3,331,479	2,470,898	342,698	6,145,075
Amounts due from credit institutions	3,879,263	3,737,959	-	7,617,222
Past due insurance premium receivable	7,266,896	2,370,754	192,346	9,829,996
BALANCE AT 31 DECEMBER 2021	**14,477,638**	**8,579,611**	**535,044**	**23,592,293**

Financial liabilities by currency

The following table analyses the breakdown of liabilities by currency.

	GEL	**USD**	**EUR**	**Total**
Borrowings	2,404,743	4,057	730	2,409,530
Lease liabilities	-	388,723	-	388,723
BALANCE AT 31 DECEMBER 2022	**2,404,743**	**447,455**	**730**	**2,798,253**
Borrowings	689,634	4,185	1,668,413	2,362,232
Lease liabilities	-	1,006,983	-	1,006,983
BALANCE AT 31 DECEMBER 2021	**689,634**	**1,011,168**	**1,668,413**	**3,369,215**

Sensitivity analysis

A 10% increase / decrease in the exchange rate of GEL/USD would increase / cut profits after tax by GEL 1,034,980 (2021: GEL 643,317).

A 10% increase / decrease in the exchange rate of GEL/EUR would increase / cut profits by 138,129 GEL (2021: GEL -95,673).

NOTES (CONTINUED)

27. RELATED PARTY TRANSACTIONS

Only material transactions with related parties were loans issued GEL 418,228 as of 31-12-2022 and GEL 1,116,092 as of 31-12-2021 (Other assets, Note18) and corresponding interest income GEL 321,033 for 2022 and GEL 172,009 for 2021 (Note 5).

Compensation of key management personnel was as follows:

	2022	2021
Key management salary	989,881	1,098,041
Key management commission	20,778	18,439

28. CONTINGENCY(IES) AND COMMITMENT(S)

The company needs to comply with the calculations of minimum capital and solvency requirements to fully stand in compliance with all requirements of insurance laws. The management of the company acknowledges the shortfall in minimum capital requirements and they are in communication with the insurance regulator over this shortfall. As the amount and timing of any penal action in result of this non-compliance is remote and could not be ascertained with certainty till the date of issue of these financial statements. However, the company is not expecting any kind of panel action in terms of sanctions on the operations of the company.

29. EVENTS AFTER REPORTING DATE

After reporting date does not take place events, which need to be disclosed.