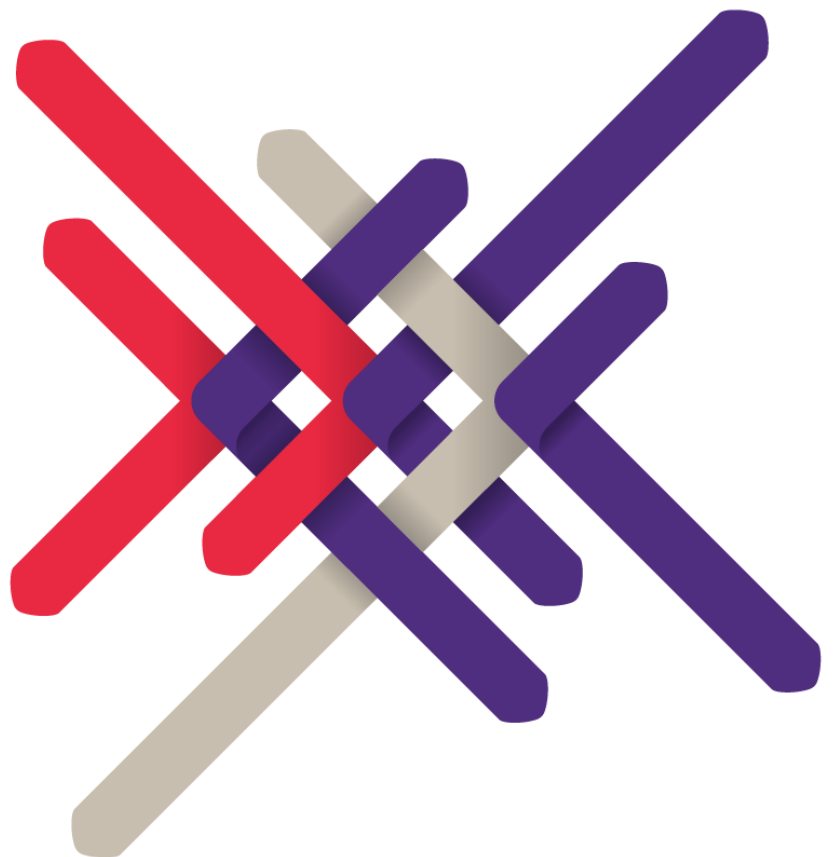


Financial Statements and Independent Auditor's Report

New Vision Insurance JSC

31 December 2023



Contents

Independent auditor's report	3
Statement of financial position	5
Statement of profit or loss and other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9

Independent auditor's report

To the shareholders of New Vision Insurance JSC

Opinion

We have audited the financial statements of New Vision Insurance JSC (the "Company"), which comprise the statement of financial position as of 31 December 2023, and the statement of profit or loss and other 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Management report

Management is responsible for the Management Reporting. The Management Reporting, which was prepared by the management only in Georgian language, comprises the information about the activities of the Company, risk analysis, future plans and other matters as required by the Law of Georgia on Accounting, Reporting and Auditing.

Management report will be available to us after the date of the audit report, so our audit of the individual financial statements does not include an opinion on the management report.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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.

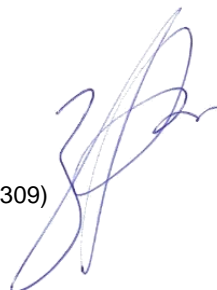
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Vakhtang Tsabadze

Vakhtang Tsabadze
For and on behalf of Grant Thornton LLC
Managing Partner
Register Auditor (Registration N-SARAS-A-774309)
Tbilisi, Georgia
3 May 2024



Statement of financial position

In thousand Georgian lari

	Notes	31 December 2023	31 December 2022 restated	01 January 2022 restated
<i>Assets</i>				
Cash and cash equivalents	7	4,561,256	2,761,374	2,025,739
Deposits in banks	8	9,604,344	8,589,598	8,041,479
Reinsurance contract assets		18,419	24,604	-
Deferred income tax assets		-	-	219,401
Property and equipment	10	4,359,479	4,530,007	6,787,741
Intangible asset		36,721	51,364	65,522
Finance lease receivables	11	1,773,745	1,911,013	-
Trade and other assets	12	1,218,044	403,210	142,463
Total assets		21,572,008	18,271,170	17,282,345
<i>Equity and liabilities</i>				
<i>Equity</i>				
Share capital	13	19,000,000	19,000,000	16,750,000
Share premium		376,457	376,457	376,457
Accumulated loss		(4,317,050)	(6,826,710)	(4,481,583)
Total equity		15,059,407	12,549,747	12,644,874
<i>Liabilities</i>				
Insurance contract liabilities	9	4,184,898	3,513,427	1,850,509
Finance lease liability	14	1,427,728	1,496,719	1,951,258
Loans and borrowings		-	-	44,628
Other liabilities	15	899,975	711,277	791,076
Total liabilities		6,512,601	5,721,423	4,637,471
Total equity and liabilities		21,572,008	18,271,170	17,282,345

The financial statements were approved on 3 May 2024 by:

Zurab Stambolishvili

General director

Sophio Abzhandadze

Chief accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 36.

Statement of financial position

In thousand Georgian lari

	Notes	31 December 2023	31 December 2022 restated	01 January 2022 restated
<i>Assets</i>				
Cash and cash equivalents	7	4,561,256	2,761,374	2,025,739
Deposits in banks	8	9,604,344	8,589,598	8,041,479
Reinsurance contract assets		18,419	24,604	-
Deferred income tax assets		-	-	219,401
Property and equipment	10	4,359,479	4,530,007	6,787,741
Intangible asset		36,721	51,364	65,522
Finance lease receivables	11	1,773,745	1,911,013	-
Trade and other assets	12	1,218,044	403,210	142,463
Total assets		21,572,008	18,271,170	17,282,345
<i>Equity and liabilities</i>				
<i>Equity</i>				
Share capital	13	19,000,000	19,000,000	16,750,000
Share premium		376,457	376,457	376,457
Accumulated loss		(4,317,050)	(6,826,710)	(4,481,583)
Total equity		15,059,407	12,549,747	12,644,874
<i>Liabilities</i>				
Insurance contract liabilities	9	4,184,898	3,513,427	1,850,509
Finance lease liability	14	1,427,728	1,496,719	1,951,258
Loans and borrowings		-	-	44,628
Other liabilities	15	899,975	711,277	791,076
Total liabilities		6,512,601	5,721,423	4,637,471
Total equity and liabilities		21,572,008	18,271,170	17,282,345

The financial statements were approved on 3 May 2024 by:

Zurab Stambolishvili

General director

Sophio Abzhandadze

Chief accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 36.

Statement of profit or loss and other comprehensive income

In thousand Georgian lari

	Notes	Year 2023	Year 2022 restated
Insurance revenue	16	19,763,966	15,012,707
Insurance service expense	17	(14,683,474)	(12,896,005)
Expenses from reinsurance contracts held		(6,185)	(6,294)
Insurance service result		5,074,307	2,110,408
Investment income	8	968,340	965,878
Net insurance and investment result		6,042,647	3,076,286
Other income		610,335	551,988
Salaries and employee benefits	18	(2,414,438)	(2,059,175)
Other expenses	19	(1,543,649)	(2,096,799)
Finance costs		(162,941)	(232,190)
Foreign exchange loss	20	(22,294)	(1,365,836)
Profit/(loss) for the year before tax		2,509,660	(2,125,726)
Income tax expense	21	-	(219,401)
Profit/(loss) for the year		2,509,660	(2,345,127)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		2,509,660	(2,345,127)

The statement of profit or loss and other comprehensive is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 36.

Statement of changes in equity

In thousand Georgian lari

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of 31 December 2021, as previously reported	16,750,000	376,457	(3,997,940)	13,128,517
Impact of initial application of IFRS 17 (Note 6)	-	-	(483,643)	(483,643)
Restated balance as at 1 January 2022	<u>16,750,000</u>	<u>376,457</u>	<u>(4,481,583)</u>	<u>12,644,874</u>
Issue of share capital	2,250,000	-	-	2,250,000
<i>Transactions with shareholders</i>	<u>2,250,000</u>	<u>-</u>	<u>-</u>	<u>2,250,000</u>
Loss for the year	-	-	(2,345,127)	(2,345,127)
Total comprehensive loss for the year (restated)	<u>-</u>	<u>-</u>	<u>(2,345,127)</u>	<u>(2,345,127)</u>
Restated balance as of 31 December 2022	<u>19,000,000</u>	<u>376,457</u>	<u>(6,826,710)</u>	<u>12,549,747</u>
Profit for the year	-	-	2,509,660	2,509,660
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>2,509,660</u>	<u>2,509,660</u>
Restated balance as of 31 December 2023	<u>19,000,000</u>	<u>376,457</u>	<u>(4,317,050)</u>	<u>15,059,407</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 36.

Statement of cash flows

In thousand Georgian lari	Note	Year 2023	Year 2022
Receipts from customers	9	18,789,398	14,804,277
Payments for insurance claims, net of subrogation and recoveries	9	(12,558,238)	(11,197,979)
Acquisition costs paid	9	(609,927)	(288,934)
Payments to employees		(1,760,995)	(1,832,603)
Other payments		(1,614,173)	(1,472,838)
Interest paid		(162,941)	(204,315)
Net cash flows from/(used in) operating activities		2,083,124	(192,392)
<i>Cash flow from investing activities</i>			
Purchase of property and equipment		(41,396)	(32,039)
Deposits in banks		(1,014,746)	(548,119)
Interest received		822,137	487,994
Net cash used investing activities		(234,005)	(92,164)
<i>Cash flow from financing activities</i>			
Proceeds from issue of shares		-	2,250,000
Repayment of borrowings and leases		(60,736)	(128,191)
Net cash from/(used in) financing activities		(60,736)	2,121,809
Net change in cash and cash equivalents		1,788,383	1,837,253
Exchange rate difference effect on cash and cash equivalents		11,499	(1,101,618)
Cash and cash equivalents at the beginning of the year		2,761,374	2,025,739
Cash and cash equivalents at the end of the year		4,561,256	2,761,374

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 36.

Notes to the financial statements

1 Principal activities

New Vision Insurance (the “Company”) is a Joint Stock Company as it is defined under the Law of Georgia on Entrepreneurs and was founded on February 20, 2020. The main activity of the Company is rendering of insurance services for individuals and different entities, including Motor insurance, Health insurance, Agro insurance, Financial Risk insurance and others.

The Company’s registered address is 1 Evgeni Mikheladze street, Tbilisi, Georgia.

The shareholders of the Company are LEPL New Vision University (60%) and New Vision Infrastructure LLC (40%).

The ultimate controlling party of the company is Davit Kereselidze, who is the Chairman of the “New Vision University” academic council.

The average number of employees of the Company during 2023 was 77 employees (2022: 77)

2 Business environment

The continuous Russian-Ukrainian war since February 2022 has had a significant impact on both the conflicting countries and on the world economy. Many leading countries and economic unions have announced severe economic sanctions against Russia, including Russian banks, Russian national reinsurance company, other organizations and individuals. The war is still ongoing, but it has already led to a humanitarian crisis and huge economic losses in Ukraine, Russia and other countries.

Since the hostilities have not yet stopped, it is impossible to reliably assess its final impact on both Georgia’s business environment and the company’s operations.

The Company’s management constantly analyses the economic situation in the current environment. The future economic and political situation and its impact on the Company’s operations may differ from the management’s current expectations.

3 Basis of preparation

3.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

This is the first set of the Company’s annual financial statements in which IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments have been applied. The related changes to material accounting policies are described in Note 3.4.

3.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

3.3 Functional and presentation currency

Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The Company’s functional currency is Georgian lari (“GEL”), which may not be freely convertible in most countries outside Georgia. The financial statements are presented in thousands of GEL, unless otherwise stated.

3.4 Changes in accounting policies

In these financial statements, the Company has applied IFRS 17 and IFRS 9 for the first time. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and effects of the key changes in the Company’s accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarised below.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions to IFRS 17 and disclosed the impact of the adoption of IFRS 17 on each financial statement line item in note 6.

The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company’s insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company’s insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA differ from the ‘earned premium approach’ used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows, unless the entity chooses to recognise the payments as an expense, and less amounts recognised in revenue for insurance services provided,
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart,

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component,
- Measurement of the liability for incurred claims (previously claims outstanding and incurred but not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

The Company capitalises insurance acquisition cash flows for all product lines.

The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised and are tested for recoverability. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

The Company's classification and measurement of insurance and reinsurance contracts is explained in Note 4.1.

Changes to presentation and disclosure

The line item descriptions in the statement of financial position and profit or loss and other comprehensive income have been changed significantly compared with last year.

Transition

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied,
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified.
- Derecognised any existing balances that would not exist had IFRS 17 always applied,
- Recognised any resulting net difference in equity.

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 "*Financial Instruments: Recognition and Measurement*" for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

The Company has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. The company Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of 1 January 2022 and are disclosed in Note 6.

The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss, available for sale, held-to-maturity and loans and receivables at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives,
- Debt instruments at fair value through other comprehensive income, with gains or losses reclassified to profit or loss on derecognition,

- Equity instruments at fair value through other comprehensive income, with no reclassified of gains or losses to profit or loss on derecognition,
- Debt instruments at amortised cost

The accounting for financial liabilities remains largely the same as it was under IAS 39.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for debt instruments held at FVOCI or amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full LTECL.

The Company's debt instruments at FVOCI and amortised cost is considered to be low credit risk instrument. It is the Company's policy to measure such instruments on a 12-month ECL (12mECL) basis.

Changes in disclosure – IFRS 7

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 *Financial Instruments: Disclosures* was also amended. The Company applied the amended disclosure requirements of IFRS 7 for the year beginning 1 January 2023. Changes include transition disclosures as shown in Note 6.

Other new standards and amendments described below and applied for the first time in 2023, did not have a material impact on the annual financial statements of the Company.

- *Proceeds before intended use* (Amendments to IAS 16)
- *References to the conceptual framework* (Amendments to IFRS 3)
- *Onerous contracts – costs of fulfilling a contract* (Amendments to IAS 37)

3.5 Standards and interpretations not yet applied by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to the existing Standards have been published but are not yet effective. The Company has not early adopted any of these pronouncements.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement.

Management does not anticipate a material impact on the Company's financial statements from these Standards and Amendments, they are presented below.

- *Classification of liabilities as current or non-current* (Amendments to IAS 1)
- *Definition of Accounting Estimates* (Amendments to IAS 8)
- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Non-current Liabilities with Covenants* (Amendments to IAS 1)
- *Deferred Tax related to Assets and Liabilities from a Single Transaction.*

4 Summary of material accounting policies

The following material accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

4.1 Insurance and reinsurance contracts

4.1.1. Classification

Insurance contracts are those contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Insurance risk is significant if, and only if, an insured event could cause the issuer to pay additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Company does not issue reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Company does not issue any contracts with direct participating features.

Once the contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

4.1.2. Separating components from insurance and reinsurance contracts

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

4.1.3. Level of aggregation

The level of aggregation for the Company insurance and reinsurance products is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. No group for level of aggregation purposes may contain contracts issued more than one year apart. The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any),
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any),
- A group of the remaining contracts in the portfolio (if any)

The Company has identified the following portfolios of insurance contracts:

- Motor Insurance
- Health Insurance

- Agro Insurance
- Financial risk Insurance
- Liability Insurance
- Travel Insurance
- Accident Insurance
- Property Insurance
- Cargo Insurance
- Motor Third Party Liability insurance

The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information,
- Results of similar contracts it has recognised,
- Environmental factors, e.g., a change in market experience or regulations.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above.

4.1.4. Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts,
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date,
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

4.1.5. Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

4.1.6. Measurement

Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary, or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

Coverage period for all types of insurance (except for financial risk insurance) and reinsurance contracts assumed is one year or less and so qualifies automatically for PAA. Some of financial risk insurance contracts coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA as well.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition,
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and,
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

For all business, there is no allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period,
- Minus insurance acquisition cash flows, with the exception of insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur,
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group,
- Plus any adjustment to the financing component, where applicable,
- Minus the amount recognised as insurance revenue for the services provided in the period,
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows

Reinsurance contracts held - subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

4.1.7. Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

- Insurance acquisition cash flows that are directly attributable to a group of insurance contracts,
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

4.1.8. Modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

4.1.9. Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

4.1.10. Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

4.1.11. Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items:

- Incurred claims and other insurance service expenses,
- Amortisation of insurance acquisition cash flows: the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts,
- Risk adjustment
- Income received from the subrogation

4.1.12. Net expense from reinsurance contracts held

Net expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

4.2 Financial instruments

IFRS 9 sets our requirements for recognition and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 financial instruments: Recognition and measurement.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

IFRS 9 has not had a significant effect on the Company's accounting policies for financial assets or liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The company has determined that the application of IFRS 9's impairment requirements at 1 January 2022 and 31 December 2022 had no effect on statement of financial position and statement of profit or loss.

4.3 Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

4.4 Foreign currencies

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the National Bank of Georgia prevailing on the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the National Bank of Georgia prevailing on the reporting date, which is 2.6894 Georgian lari for 1 US dollar and 2.9753 Georgian lari for 1 euro as of 31 December 2023 (31 December 2022: 2.7020 Georgian lari for 1 US dollar and 2.8844 Georgian lari for 1 euro).

Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement and retranslation of monetary items are included in profit or loss for the period

4.5 Taxation

Corporate income tax rules applicable before 1 January 2024

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

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is 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 recognised only to the extent that the Company considers that it is probable (i.e., more likely than not) that there will be sufficient taxable profits available for the asset to be 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 recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity respectively. Income tax rate is 15%.

Changes in corporate income tax effective from 1 January, 2024

Effective January 1, 2024, there are significant amendments to the Corporate Income Tax rules applicable to insurance companies in accordance with Tax Code of Georgia. Changes relate to introduction of new model for corporate income taxation, which was effectively enacted for other types of entities (entities outside the financial services sector) since 1 January 2017 in Georgia.

The new model implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the company's profit before tax, regardless of profit retention or distribution. As a result of changes, starting 1 January, 2024 insurance companies (like companies in other sectors) will pay corporate income tax on profit distribution (dividends) and on individual transactions that may be considered as indirect distribution of profits (benefits, gifts, payments and expenses not related to economic activities, etc). In the case of profit distribution, the tax rate is 15/85.

According to the amended concept of corporate income taxation, there will be no temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Therefore, deferred tax assets and liabilities, as defined in IAS 12 *Income Taxes*, cannot be formed subsequent to 1 January 2024.

4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances on banks accounts which can be converted into cash at short notice, including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost.

4.7 Impairment of non-financial assets

At each reporting date assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss, if there is an indication of possible impairment and the estimate recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and all impairment loss is recognised immediately in profit or loss. Recoverable amount is higher of fair value less costs to sell and value in use.

4.8 Leases

The Company as a lessee

For any new contracts entered on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company measures the right-of-use asset at cost. The cost of right-of-use asset is made up initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, to restore the place where the asset is located, or to restore the lease asset to a condition required by the terms of the lease, unless those costs are incurred to produce the inventories. The lessee's liability for such expenses arises either at the effective date of the lease term or because of the use of the leased asset for a specified period.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

After initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in- substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets can be included in property, plant and equipment or presented separately and lease liabilities can be included in trade and other payables or presented as a separate liability.

The Company as a lessor

As a lessor the Company classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Company as a Sub-lessor

The Company is a sub – lessor (intermediate lessor) of the right of use assets;

An intermediate lessor classifies the sublease as a finance lease or an operating lease as follows;

- If the head lease is a short-term lease that the entity, as a lessee, has accounted for, the lease payments associated with those leases and certain of low-value assets are recognized on a straight-line basis as an expense in profit or loss. the sublease is classified as an operating lease,
- Otherwise, the sublease is classified by reference to the right of use asset arising from the head lease, rather than by reference to the underlying asset. A lease is classified as a finance lease if it transfers substantially all the risks and rewards from the right-of-use asset resulting from the lead lease; otherwise, it is classified as an operating lease.

For subleases classified as finance lease, the intermediate lessor derecognizes the right-of-use assets relating to the head lease that is transferred to the sublessee and recognizes the net investment in the sublease. Any difference between the right-of-use assets and the net investments in the finance sublease is recognized in profit or loss. At the commencement date, net investment in the finance lease is measured at an amount equal to the present value of lease payments for the underlying right-of-use assets during the lease term. The lessor recognizes finance income over the lease term, based on a pattern reflecting a constant period rate of return on the lessor's net investment in the lease.

For subleases classified as operating lease, the intermediate lessor recognizes the lease income from operating leases on a straight-line basis over the lease term. The respective leased asset is included in the statement of financial position based on its nature.

The Company subleases retail store under finance lease agreement for 9 years. The Company derecognised the right-of-use asset (to the extent that it is subject to the sub-lease) and recognised a finance lease receivable. The sublease payments are fixed and matches the payments under the head lease

4.9 Property and equipment

Building and other items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprise major components having different useful lives, they are accounted for as separate items of property and equipment.

The 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.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Buildings and constructions	- 50 years
Office equipment	- 5 years
Other	- 5 years

As no finite useful life for land can be determined, related carrying amounts is not depreciated.

4.10 Intangible assets

Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the intangible assets, which is estimated at 5 years.

4.11 Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Retained earnings

Include accumulated earnings of current and previous periods.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

5 Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. 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

5.1 Judgements

Level of aggregation of insurance and reinsurance contracts

The Company identifies portfolios of contracts and determines groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

Measurement of insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Insurance acquisition cash flows

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts issued in the period.

5.2 Assumptions and estimations uncertainty

Liability for remaining coverage

The Insurance acquisition cash flows and amortization of insurance acquisition cash flow included in liability for remaining coverage.

At the end of each reporting period, the Company revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by claims loss ratio method.

The main assumption underlying this technique is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios.

Discount rates

Measurement of liability for incurred claims and liability for remaining coverage do not include discounting for time value of money and the effect of financial risk as the premium due date and the related period of service are less than 12 months apart.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk. Risk adjustment for non-financial risk reflect the diversification benefits from contract issued by the entity, in a way that is consistent with the compensation that it would require.

The Company has estimated the risk adjustment using Chain ladder model.

6 Restatement disclosure

The following table summarizes the impact of IFRS 17 on the company's statement of financial position as at 31 December 2022:

In thousand Georgian lari	As previously reported	Impact of IFRS 17	Reclassification	As restated
Bank deposits	8,527,752	-	61,846	8,589,598
Insurance and reinsurance receivables	2,664,884	(2,664,884)	-	-
Deferred acquisition costs	197,066	(197,066)	-	-
Reinsurance contract asset	-	24,604	-	24,604
Trade and other assets	1,466,188	(1,001,132)	(61,846)	403,210
	12,855,890	(3,838,478)	-	9,017,412
Insurance contracts liabilities	6,165,319	(2,651,892)	-	3,513,427
Other insurance liabilities	423,960	(423,960)	-	-
Accounts payable	352,814	358,463	-	711,277
	6,942,093	(2,717,389)	-	4,224,704
Accumulated loss	(5,705,621)	(1,121,089)	-	(6,826,710)
	(5,705,621)	(1,121,089)	-	(6,826,710)

The following table summarizes the impact of IFRS 17 on the company's statement of financial position as at 1 January 2022:

In thousand Georgian lari	As previously reported	Impact of IFRS 17 and IFRS 9	Reclassification	As restated
Bank deposits	8,009,017	-	32,462	8,041,479
Insurance and reinsurance receivables	3,519,043	(3,519,043)	-	-
Deferred acquisition costs	78,160	(78,160)	-	-
Reinsurance contract asset	-	-	-	-
Trade and other assets	556,317	(381,392)	(32,462)	142,463
	12,162,537	(3,978,595)	-	8,183,942
Insurance contracts liabilities	5,294,702	(3,444,193)	-	1,850,509
Other insurance liabilities	721,994	(721,994)	-	-
Other liabilities	119,841	671,235	-	791,076
	6,136,537	(3,494,952)	-	2,641,585
Accumulated loss	(3,997,940)	(483,643)	-	(4,481,583)
	(3,997,940)	(483,643)	-	(4,481,583)

The following table summarizes the impact of IFRS 17 on the company's statement of profit or loss and other comprehensive income for the year ended 2022:

In thousand Georgian lari	As previously reported	Impact of IFRS 17	As restated
Insurance revenue	15,065,120	(52,413)	15,012,707
Insurance service expenses	(10,861,916)	(2,034,089)	(12,896,005)
Income/(expense) from reinsurance contract held	-	(6,294)	(6,294)
Other expenses	(1,709,580)	(387,219)	(2,096,799)
Expected credit loss	(1,801,567)	1,801,567	-
Foreign exchange (losses)/gains	(1,406,838)	41,002	(1,365,836)
	(714,781)	(637,446)	(1,352,227)

7 Cash and cash equivalents

In Georgian lari	31 December 2023	31 December 2022
BB+	20,633	660,457
B+	518,248	142,275
BB-	4,022,375	1,958,642
	4,561,256	2,761,374

Cash and cash equivalents in banks are classified as non-risky, given the fact that the banks where the company has cash and cash equivalents are trustworthy.

8 Bank deposits

In Georgian lari	31 December 2023	31 December 2022 restated
JSC PROCREDIT BANK	6,644,687	6,673,901
JSC CREDO BANK	1,215,786	1,170,636
JSC TBC Bank	1,002,329	-
JSC LIBERTY BANK	741,542	745,061
	9,604,344	8,589,598

Investment income on the bank deposits for the years ended 31 December 2023 and 2022 is presented as follows:

In Georgian lari	31 December 2023	31 December 2022
JSC PROCREDIT BANK	388,651	381,692
JSC CREDO BANK	220,375	52,488
JSC TBC BANK	154,951	27,449
JSC BANK OF GEORGIA	55,140	19,240
JSC LIBERTY BANK OF GEORGIA	51,228	36,988
	870,345	517,857

Investment income from finance lease receivables is presented as follows:

In Georgian lari	2023	2022
Finance lease receivable	97,995	448,021
	97,995	448,021
Total investment income	968,340	965,878

The bank deposit balances are neither past due nor impaired. The bank deposits are represented by placements with Georgian commercial banks with a maturity of both less than one year or 1 to 8 years period. Earn an annual interest from 11.5% to 14.6% on GEL denominated deposits, and 4.80% on USD denominated deposits.

The credit rating for bank deposits as at 31 December 2023 and 2022 is presented as follows:

In Georgian lari	31 December 2023	31 December 2022
BB+	6,644,687	6,673,901
BB-	2,218,115	1,170,636
B+	741,542	745,061
	9,604,344	8,589,598

9 Insurance contract assets and liabilities

The breakdown of portfolios of insurance contracts, that are in LRC position and those in a LIC position is set out in the table below:

	2023			2022		
	LRC	LIC	Net	LRC	LIC	Net
In Georgian lari						
<i>Insurance contracts issued</i>						
Motor Insurance	626,597	(3,333,826)	(2,707,229)	(82,783)	(2,377,826)	(2,460,609)
Health Insurance	(524,188)	(234,656)	(758,844)	(396,933)	(345,140)	(742,073)
Agro Insurance	2,336	(34,508)	(32,172)	2,253	(33,403)	(31,150)
Financial risk Insurance	(218,212)	(214,164)	(432,376)	(133,059)	(11,783)	(144,842)
Liability Insurance	(35,121)	(9,989)	(45,110)	(37,624)	(22,285)	(59,909)
Travel Insurance	(491)	(226)	(717)	405	(332)	73
Accident Insurance	(2,344)	(10,000)	(12,344)	24,607	-	24,607
Property Insurance	14,715	(8,995)	5,720	28,862	(3,930)	24,932
Cargo Insurance	167	-	167	1,111	-	1,111
Motor Third party liability (Compulsory)	(112,614)	(89,331)	(201,945)	(42,768)	(82,114)	(124,882)
Other	(48)	-	(48)	(685)	-	(685)
Total insurance contracts issued	(249,203)	(3,935,695)	(4,184,898)	(636,614)	(2,876,813)	(3,513,427)

9.1.1 Movements in insurance contracts

Movements in insurance contracts for 2023, is presented as follows:

	31 December 2023			
	Liabilities for remaining coverage	Liabilities for incurred claims Estimates of the present value of future cash flow	Risk adjustment	Total
In Georgian lari				
Net insurance contract liabilities as of 01 January 2023	(636,614)	(2,679,470)	(197,343)	(3,513,427)
Insurance revenue	19,763,966	-	-	19,763,966
Premiums received	(18,789,398)	-	-	(18,789,398)
Insurance acquisition cash flows	609,927	-	-	609,927
Amortization of insurance acquisition cash flows	(665,373)	-	-	(665,373)
Incurred claims and other directly attributable expenses	-	(15,233,101)	-	(15,233,101)
Claims and other expenses paid	-	12,558,238	-	12,558,238
Risk adjustment	-	-	(114,942)	(114,942)
Currency and other changes	(204,248)	1,403,460	-	1,199,212
Net-off Compulsory insurance incurred claims	(327,463)	327,463	-	-
Net insurance contract liabilities as of 31 December 2023	(249,203)	(3,623,410)	(312,285)	(4,184,898)

Movement in insurance contracts for 2022, is presented as follows:

	31 December 2022			
	Liabilities for remaining coverage	Liabilities for incurred claims		Total
		Estimates of the present value of future cash flow	Risk adjustment	
In Georgian lari				
Net insurance contract liabilities as of 01 January 2022	(127,009)	(1,579,436)	(144,064)	(1,850,509)
Insurance revenue	15,012,707	-	-	15,012,707
Premiums received	(14,804,277)	-	-	(14,804,277)
Insurance acquisition cash flows	288,934	-	-	288,934
Amortization of insurance acquisition cash flows	(523,424)	-	-	(523,424)
Incurred claims and other directly attributable expenses	-	(13,117,613)	-	(13,117,613)
Claims and other expenses paid	-	11,197,979	-	11,197,979
Risk adjustment	-	-	(53,279)	(53,279)
Currency and other changes	(241,282)	577,337	-	336,055
Net-off Compulsory insurance incurred claims	(242,263)	242,263	-	-
Net insurance contract liabilities as of 31 December 2022	(636,614)	(2,679,470)	(197,343)	(3,513,427)

10 Property and equipment

In Georgian lari	Office equipment				Total
	Land	Buildings	Other		
Cost					
As of 31 December 2021	456,457	6,275,080	401,178	93,077	7,225,792
Additions	-	-	31,504	2,900	34,404
Disposals	-	-	-	-	-
Write-off	-	-	(51,362)	(11,953)	(63,315)
Termination of lease contracts	-	(411,422)	-	-	(411,422)
Reclassification to finance lease receivables (Sublease)	-	(1,836,236)	-	-	(1,836,236)
As of 31 December 2022	456,457	4,027,422	381,320	84,024	4,949,223
Additions	-	-	6,736	34,810	41,546
Disposals	-	-	-	(7,190)	(7,190)
Write-off	-	-	(65,728)	(9,398)	(75,126)
Termination of lease contracts	-	-	-	-	-
As of 31 December 2023	456,457	4,027,422	322,328	102,246	4,908,453
Accumulated Depreciation					
As of 1 January 2022	-	(336,987)	(86,522)	(14,542)	(438,051)
Depreciation charge	-	(176,599)	(73,658)	(18,132)	(268,389)
Eliminated on write-off	-	-	11,466	-	11,466
Eliminated on termination of lease contract	-	275,758	-	-	275,758
As of 31 December 2022	-	(237,828)	(148,714)	(32,674)	(419,216)

Depreciation charge	-	(80,973)	(76,171)	(21,251)	(178,395)
Eliminated on write-off	-	-	39,112	3,025	42,137
Eliminated on termination of lease contract	-	-	-	6,500	6,500
As of 31 December 2023	-	(318,801)	(185,773)	(44,400)	(548,974)

Carrying Amount

31 December 2022	<u>456,457</u>	<u>3,789,594</u>	<u>232,606</u>	<u>51,350</u>	<u>4,530,007</u>
31 December 2023	<u>456,457</u>	<u>3,708,621</u>	<u>136,555</u>	<u>57,846</u>	<u>4,359,479</u>

Depreciation expense has been charged to other expenses, which is presented as follows: (refer to note 19)

In Georgian lari

		<u>2023</u>	<u>2022</u>
Depreciation charge		178,395	268,389
Amortization charge		14,647	17,075
		<u>193,042</u>	<u>285,464</u>

11 Finance lease receivables

Finance lease receivables as of December 31 2023 and 2022 consist of following:

In Georgian lari

		<u>31 December 2023</u>	<u>31 December 2022</u>
Current		169,281	128,957
Non-Current		1,604,464	1,782,056
		<u>1,773,745</u>	<u>1,911,013</u>

On June 1, 2022 Company signed sublease agreement with Pino Vera LLC. Subject of Sublease is the land and buildings located in Tbilisi, Qumchishvili str. #8/3. The Sublease coverage period is 9 years, till 1 June 2031. Investment income on the finance lease receivable in 2023 was GEL 97,995 (2022: 448,021). Ref to Note 8.

12 Trade and other assets

		<u>31 December 2023</u>	<u>31 December 2022</u> <u>restated</u>
In Georgian lari			
Receivables from regression		5,178,884	3,984,779
Allowances for regression		(5,178,884)	(3,984,779)
Other financial receivables		436,648	337,457
Tax asset		19,193	-
Non-current asset held for trading*		762,203	-
Other non-financial assets		-	65,753
		<u>1,218,044</u>	<u>403,210</u>

* Non-current asset held for trading consists commercial property repossessed by the entity in 2023, through the auction. The fair value of repossessed asset assessed by an independent valuer as of 31 December 2023. The fair value of the non-current asset held for trading is higher than the carrying amount.

13 Capital and reserves

13.1 Share capital

		<u>31 December 2023</u>	<u>31 December 2022</u>
In Georgian lari			
Share capital		19,000,000	19,000,000

The Company has one class 19,000,000 of ordinary shares, which carry no right to fixed income.

Share capital of the company in 2022 has been increased by 2,250,000 through cash contribution from the owners (with proportion 60/40%).

13.2 Share premium

Share premium represents the difference between the nominal value of the shares issued and the paid amount.

14 Leases

In Georgian lari	<u>31 December 2023</u>	<u>31 December 2022</u>
Current	103,739	62,302
Non-current	1,323,989	1,434,417
	<u>1,427,728</u>	<u>1,496,719</u>

The company has leased office buildings, which during 2022 has been leased out by Sublease agreement. The Company replaced right of use asset by Finance lease receivable in the financial statement as of 31 December 2023 and 2022. (See note 11).

The table below describes the types of leased assets of the Company, according to the type of right-of-use assets recognized in the financial statements:

Right-of-use asset	Number of right-of-use assets leased	Range of remaining term	Number of leases with options to purchase	Number of leases with variable payment linked to an index	Number of leases with termination options
Buildings	1	89 months	-	-	1

Future lease payments as of December 31, 2023 and 2022 are as follows:

	<u>Minimum lease payments</u>	<u>Minimum lease payments</u>
In Georgian lari	<u>31 December 2023</u>	<u>31 December 2022</u>
Within one year		
Lease payments	261,813	229,562
Finance charges	(158,074)	(167,260)
	<u>103,739</u>	<u>62,302</u>
In second to fifth years inclusive		
Lease payments	1,172,605	1,135,056
Finance charges	(460,558)	(537,577)
	<u>712,047</u>	<u>597,479</u>
More than five years		
Lease payments	698,169	1,007,523
Finance charges	(86,227)	(170,585)
	<u>611,942</u>	<u>836,938</u>
Net present value	<u>1,427,728</u>	<u>1,496,719</u>

Total cash flows paid on leases during 2023 amounted to 223,677 GEL (2022: 271,721 GEL). Lease expenses included in the profit and loss statement and not recognized as right-of-use assets amount to 28,069 GEL in 2023 (2022: 23,800 GEL). As of December 31, 2023, the remaining service period under the right-of-use asset is 7 years (2022: 8 years) and the weighted average interest rate is 11.39% (2022: 11.39%).

The table below shows the amounts related to finance leases that were reflected in the profit and loss statement:

In Georgian lari

	2023	2022
Depreciation Expense	-	94,656
Interest Expense	162,941	216,033
Foreign Exchange gain/(Loss)	(8,255)	(247,759)
Gain/Loss from termination of lease agreement	-	15,428
Total	154,686	78,358

15 Other liabilities

In Georgian lari	31 December 2023	31 December 2022 restated
Financial liabilities		
Trade payables	289,279	307,152
Payables to employees	7,667	14,361
Payables to principles	603,029	358,463
	899,975	679,976
Non-financial liabilities		
Taxes and duties payable	-	31,301
Total other liabilities	899,975	711,277

16 Insurance revenue

In Georgian lari

	2023	2022 restated
Motor Insurance	11,527,391	7,484,389
Health Insurance	3,066,767	2,967,476
Agro Insurance	2,070,370	1,609,222
Financial risk Insurance	325,150	537,232
Liability Insurance	36,555	66,933
Travel Insurance	19,959	36,889
Accident Insurance	35,061	40,681
Property Insurance	9,343	20,304
Cargo Insurance	224	6,613
Motor Third Party Liability insurance	2,673,146	2,242,968
	19,763,966	15,012,707

17 Insurance service expenses

In Georgian lari

	2023	2022
Incurred claims and other expenses	15,233,101	13,117,613
Amortization of acquisition cash flows	665,373	523,424
Risk adjustment	114,942	53,279
Income from subrogation	(1,329,942)	(798,311)
	14,683,474	12,896,005

18 Employee benefit expenses

In Georgian lari

	2023	2022
Employee benefit expenses	2,345,233	2,024,298
Bonuses	69,205	34,877
	2,414,438	2,059,175

19 Other expenses

In Georgian lari

	2023	2022 restated
Impairment expenses (recovery)	(92,758)	387,219
Membership fees	282,742	204,544
Depreciation and amortization expenses	193,042	285,464
Supervisory fee	197,802	150,651
Legal expenses	52,008	62,134
Communication expenses	48,796	65,950
Utility expense	47,165	88,795
Land and Property taxes	40,006	41,808
Bank guarantee	30,958	18,478
Marketing and advertising expenses	28,946	12,084
Rent expense	28,069	23,800
Business trip expenses	19,633	9,367
Repair and maintenance expenses	19,531	13,364
Audit Fee	12,272	15,732
Office supplies	10,484	24,376
Security expense	8,958	16,842
Printing expenses	6,617	7,682
Bank fees	4,573	6,663
Other expenses	604,805	661,846
	1,543,649	2,096,799

20 Foreign exchange loss

In Georgian lari

	2023	2022 restated
Financial assets	32,155	1,613,595
Financial liabilities	(9,861)	(247,759)
Net foreign exchange loss	22,294	1,365,836

21 Income tax expense

In Georgian lari

	Year 2023	Year 2022 restated
Current profit tax (expense) / recovery	-	-
Deferred income tax (expense) / recovery	-	(219,401)
	-	(219,401)
	Year 2023	Year 2022 restated
Profit (loss) before tax	2,509,660	(2,125,726)

Theoretical profit tax (15%)	(379,449)	318,859
The effect of temporary differences	379,449	(99,458)
The effect of permanent differences	-	-
Profit tax expense	-	219,401

On 13 May 2016 the parliament of Georgia adopted corporate income tax reform (as known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law has entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law was intended to become effective from 1 January 2019.

On 28 December 2018, the law was further amended. The financial institutions transition to the new taxation system becomes effective from 1 January 2023, instead of 1 January 2019. On 16 December 2022, the law was further amended. The financial institutions transition to the new taxation system becomes effective from 1 January 2024, instead of 1 January 2023.

Due to the nature of the new taxation system described above, the financial institutions registered in Georgia do not have any differences between the tax bases of assets and their carrying amounts from 1 January 2024 and hence, no deferred income tax assets and liabilities was recognized.

22 Transactions with related parties

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include shareholders, members of Company's Management as well as other persons and enterprises related with and controlled by them respectively. During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances:

In Georgian lari Transactions	2023	2022
Shareholders		
Accrual of interest expenses	-	16,157
Capital contribution	-	2,250,000
Repayment of principal and interest of loan	-	60,785
Insurance revenue	7,820	-
Insurance service expenses	17,232	-

22.1 Transactions with management and close family members

Key management received the following remuneration during the year, which is included in payroll and employee benefits

In Georgian lari	2023	2022
Salaries and bonuses	625,894	362,745

23 Fair value measurement

The Company provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

23.1 Fair value measurement of financial instruments

Management believes that the fair value of the Company's financial assets approximates their carrying amounts due to short maturities of most of the aforementioned instruments.

24 Insurance and financial risk management

The Company's activities expose it to a variety of risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The most important types of risk are insurance risk and financial risk, which includes liquidity risk, market risk and credit risk.

24.1 Insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from individuals or organisations that are directly subject to the risk. Such risks may relate to all types of insurance products that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Risks under non-life insurance policies usually cover twelve-month duration. For general insurance contracts the most significant risks arise from changes in the relevant legal environment, changes in behaviour of policyholders, natural disasters and terrorist activities.

The Company also has exposure to market risk through its insurance activities. The Company manages its insurance risk through the use of established statistical techniques, reinsurance of risk concentrations, underwriting limits, approval procedures for transactions, pricing guidelines and monitoring of emerging issues.

24.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Maximum credit risk to which the company is exposed consists of the following:

In thousand Georgian lari	31 December 2023	31 December 2022
Cash and cash equivalents	4,561,256	2,761,374
Bank deposits	9,604,344	8,589,598
Finance lease receivables	1,773,745	1,911,013
	<u>15,939,345</u>	<u>13,261,985</u>

24.3 Currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. Most of the Company's transactions are carried out in Georgian lari. Exposure to currency

exchange rates arises from the Company's vehicles insurance, bank deposits and lease liability, which are primarily denominated in US dollars. Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Georgian lari at the closing rate:

In Georgian lari	USD	
	31 December 2023	31 December 2022
<i>Financial assets</i>		
Finance lease receivables	1,773,745	1,911,013
Bank deposits	7,363,254	7,397,752
	9,136,999	9,308,765
<i>Financial liabilities</i>		
Lease liability	1,427,728	1,496,719
	1,427,728	1,496,719
Net position	7,709,271	7,812,046

The following table details the Group's sensitivity to a 15% (2022: 15%) increase and decrease in Georgian lari against US dollar. 15% (2022: 15%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 15% (2022: 15%) change in foreign currency rates.

If Georgian lari had strengthened against US dollar by 15% (2022: 15%) then this would have had the following impact:

In Georgian lari	US dollar impact	
	2023	2022
Profit or loss	1,156,391	1,171,807

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

24.4 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations. The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service-related payments when those become due. The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

In Georgian lari 2023	Less than a year	1 to 5 years	Total
<i>Financial liabilities</i>			
Finance lease liability	103,739	1,323,989	1,427,728
Other liabilities	899,975	-	899,975
	1,003,714	1,323,989	2,327,703
 In Georgian lari 2022	 Less than a year	 1 to 5 years	 Total
<i>Financial liabilities</i>			
Finance lease liability	62,302	1,434,417	1,496,719
Other liabilities	711,277	-	711,277
	773,579	1,434,417	2,207,996

25 Reconciliation of liabilities arising from financing activities

In Georgian lari

	Loans and borrowings	Lease liability	Total
<i>As of January 2022</i>	44,628	1,951,258	1,995,886
Cash-flows:			
Proceeds	-	-	-
Repayments of principal	(43,595)	(84,596)	(128,191)
Interest paid	(17,190)	(187,125)	(204,315)
Non-cash:			
IFRS 16 adjustment	-	-	-
Interest accrued	16,157	216,033	232,190
Foreign exchange gain/loss	-	(247,759)	(247,759)
Termination of lease agreement	-	(151,092)	(151,092)
As of 31 December 2022	-	1,496,719	1,496,719
Cash-flows:			
Proceeds	-	-	-
Repayments of principal	-	(60,736)	(60,736)
Interest paid	-	(162,941)	(162,941)
Non-cash:			
IFRS 16 adjustment	-	-	-
Interest accrued	-	162,941	162,941
Foreign exchange gain/loss	-	(8,255)	(8,255)
Termination of lease agreement	-	-	-
As of 31 December 2023	-	1,427,728	1,427,728

26 Capital risk management

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

- 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;
- 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 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 ISSSG directives.

Regulatory requirements

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

According to the ISSSG directive Ne27, issued on 25 December 2017, the minimum capital from 31 December 2018 throughout the period should be not less than GEL 4.200 (in thousands) and the Company should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances. Order of the Head

of the State Insurance Supervision Service of Georgia According to No45, the minimum amount of own capital at all stages of the insurance activity must be a) Life insurance: 7,200 GEL - from December 31, 2021; B) Insurance (non-life) except for compulsory liability insurance, liability insurance and credit liability insurance: GEL 4,800 - from 31 December 2021, c) Insurance (non-life) - compulsory liability insurance, liability insurance and liability insurance Including: 7,200 GEL - from December 31, 2021 and d) Reinsurance: 7,200 GEL - from 31 December 2021, The amount should be placed in the form of cash, other cash equivalents and cash placed in banks.

The company makes certain adjustments to the IRS equity in these statements of financial position to arrive to the ISSSG prescribed capital.

The Company manages its capital requirements by preventing shortfalls between reported and required capital levels on a regular basis, in order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid or inject further capital.

The Company followed the externally imposed capital requirements at the end of the reporting period and no changes were made to its objectives, policies and processes from the previous year for managing capital.

The Regulatory Capital is determined based on the IFRS equity, adjusted for, for example, investments in subsidiaries and associates, unsecured loans and borrowings etc. as prescribed by the ISSSG directive Ne16. As at 31 December 2023 and 2022 these financial statements were authorized for issue, the Company was in compliance with the level of Regulatory Capital.

27 Subsequent events

No events have been occurred after reporting period which would require explanatory notes.