PRIME INSURANCE JSC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS

These financial statements are presented in GEL.

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PRIME INSURANCE JSC

Qualified Opinion

We have audited the financial statements of JSC Prime Insurance (the Company), which comprise the statement of financial position as at December 31, 2022 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Qualified Opinion

The company is maintaining its record in separate data bases related to numbers & amount of receivables, unearned premium reserves, due & overdue days and other necessary information required for correct measurement & valuations of insurance premium receivables as referred in note 13 to the financial statements. We could not link these data basis, and our alternate procedures could also not provide us reasonable grounds to believe that these balances are measured and valued accurately in accordance with applicable International Financial Reporting Standards. Moreover, we remained unable to verify the existence and provision reserves held on these balances as at December 31, 2022, which is stated in the statement of financial position at 1,701,684 Gel. As a result of these matters our opinion is qualified on said issues because we could not determine whether any adjustments might have been found necessary in respect of recorded or unrecorded provision reserves or other adjustments related to their valuation, measurement and completeness of insurance premium receivables.

As at 31 December 2022 the expected outcome of legal disputes with total amount of GEL 716,496 has been disclosed as a contingent liability, in Note 19 of these financial statements. We have not been able to obtain sufficient appropriate audit evidence as to whether the outcome of these legal disputes should be estimated and disclosed as contingent liabilities or accounted as expenses and provision. As a result of these matter, we were unable to determine whether any adjustments might have been found necessary in respect of provision and the other elements making up these financial statements.

The financial statements for the year ended 31 December 2021 were audited by another firm of auditors who gave disclaimer of opinion. The comparative financial statements are un-audited due to disclaimer of opinion and have material impact on the current year balances therefore our financial statements for the year ended 31 December 2022 are qualified because of the possible effect of this matter on the comparability of the current year figures and the corresponding figures.

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

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Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to note 2 to the financial statements, which indicates that, the company is in continuous losses and its regulatory capital is not in compliant with the minimum requirements of insurance laws applicable in Georgia for the year ended 31 December 2022. These conditions along with other matters described in said note indicate the existence of material uncertainty related to going concern of the company. Our opinion is not qualified in respect of these matters and going concern of the company is highly dependent on the results of the plans & commitments discussed in note 2.

Other Matter

The financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed disclaimer of opinion on those statements on April 15, 2022.

The previous year auditor gave disclaimer of opinion on following issues;

1- The management could not provide reasonable plan to support the going concern assumptions;
2- The Company did not conducted test on impairment on its assets, as per IAS 36 "Asset Impairment"
3- The auditor could not obtain sufficient and appropriate audit evidences on provision reserves on insurance and re-insurance receivables.
4- The management could not provide reasonable explanations on the expected outcome of legal disputes.
5- Re-classification and valuation of assets categorized in property plant and equipment

Qualified opinion is given on current year financial statement on the basis of following grounds;

1- The management provide us a business plan showing that the company shall take remedial measures to ensure the going concern assumption of the company as disclosed in note-2 of the financial statements.
2- There are no longer impairment indicators as the shareholders shown their commitments to run the organization by injecting new share capital amounting to 2,099,819 in the year 2022 and gave commitment to introduce new share capital as well to comply with all regulatory requirements.
3- Issue # 5 is resolved due to immaterial balance.
4- Issue # 3 and 4 is qualified during the year 2022 but the impact is not pervasive.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the financial statements and our auditor's report thereon. The management report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements will not cover the other information and we will not express any form of assurance conclusion thereon.

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

Our obligation is to express an opinion on the compliance of the parts of the company's 2022 management report with the Law of Georgia on "Accounting, Reporting and Auditing" ("the Law"), and in case of essential inaccuracies, to indicate their essence, as well as to state any information which is not reported specified by law in the management report.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with owners of the company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

31 May, 2023

RSM Georgia

RSM Georgia
Engagement Partner: Ali Murtza

NOTES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022	2021
Gross written premiums on insurance contracts	4	9,101,508	5,358,777
Reinsurer's share of gross written premium on insurance contracts	4	(1,507,767)	(191,715)
Net written premium		**7,593,741**	**5,167,062**
Changes in provision for unearned premiums	4	(1,422,812)	(162,754)
Changes in the re-insurers portion in provision for unearned premiums	4	868,714	10,956
Net insurance revenue		**7,039,643**	**5,015,264**
Reinsurance commission income		167,744	24,885
Total revenue		**7,207,387**	**5,040,149**
Insurance claims and loss adjustment expenses	5	(4,268,575)	(2,141,875)
Insurance claims and loss adjustment expenses recovered from reinsurers	5	448,984	-
Net insurance claims		**(3,819,591)**	**(2,141,875)**
Acquisition costs	6	(609,755)	(376,860)
General and administrative expenses	7	(1,612,899)	(1,462,557)
Employee salaries and benefits		(1,993,399)	(1,764,820)
Impairment charge		(939,566)	468,824
Interest income		127,867	125,701
Exchange rate difference gain/loss		(953,738)	(319,178)
Profit/(Loss) before tax		**(2,593,694)**	**(430,616)**
Income tax expense	8	-	(10,862)
Profit/(Loss) after tax		**(2,593,694)**	**(441,478)**
Other comprehensive income for the year, net of tax		-	132,983
Total comprehensive Income/(loss)		**(2,593,694)**	**(308,495)**

Marekhi Guruli
General Director

Sophiko Ephenia
Financial Director

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STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31.12.2022	31.12.2021
Assets			
Cash and cash equivalents	**15**	366,856	236,948
Amount due from credit institutions	**15**	7,675,481	7,745,105
Other assets	**14**	351,304	414,002
Insurance and reinsurance receivables	**13**	3,325,298	2,097,023
Reinsurance assets	**12**	1,372,596	128,596
Deferred acquisition costs	**6**	312,249	177,878
Deferred income tax asset	**8**	-	-
Intangible assets	**10**	111,631	146,051
Right of use assets	**11**	334,508	477,538
Property, plant and Equipment	**9**	403,552	427,545
Issued loans	**14**	57,200	57,200
Total assets		**14,310,675**	**11,907,886**
Liabilities			
Other current liabilities	**17**	1,083,737	972,425
Reinsurance liabilities	**18**	1,349,190	155,184
Insurance contract liabilities	**12**	4,642,168	2,782,115
Deferred tax liability		-	-
Lease payables	**11**	306,626	575,333
Total liabilities		**7,381,721**	**4,485,057**
Equity			
Statutory Capital	**16**	12,991,287	10,891,468
Fixed assets revaluation		132,983	132,983
Retained earnings		(6,195,316)	(3,601,622)
Equity attributable to owners of the company		**6,928,954**	**7,422,829**
Total equity and liabilities		**14,310,675**	**11,907,886**

Marekhi Guruli

General Director

Sophiko Ephenia

Financial Director

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STATEMENT OF CHANGES IN EQUITY AS ON 31 DEEMBER 2022

	Share capital	**Retained earnings**	**Revaluation surplus**	**Total**
At 31 December 2020	**7,725,554**	**(3,160,144)**	**-**	**4,565,410**
Issue of ordinary shares	3,165,914	-	-	**3,165,914**
Profit/(Loss) for the year	-	(441,478)	-	**(441,478)**
Other comprehensive income	-	-	132,983	**132,983**
At 31 December 2021	**10,891,468**	**(3,601,622)**	**132,983**	**7,422,829**
Issue of ordinary shares	2,099,819	-	-	**2,099,819**
Profit/(Loss) for the year	-	(2,593,694)	-	**(2,593,694)**
Other comprehensive income	-	-	-	**-**
At 31 December 2022	**12,991,287**	**(6,195,316)**	**132,983**	**6,928,954**

Marekhi Guruli

General Director

Sophiko Ephenia

Financial Director

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NOTES

STATEMENT OF CASH FLOWS YEAR ENDED 31 DECEMBER 2022

Cash flows from operating activities	**2022**	**2021**
Cash received from written premium	6,992,365	4,967,816
Re-written premium paid	(150,532)	(341,152)
Paid claims and loss adjustment expenses	(4,197,030)	(2,969,982)
Commission income received from reinsurers	12,372	20,062
Subrogation income received	144,412	484,472
Acquisition costs paid	(557,360)	(302,539)
Employee benefits paid	(1,525,209)	(1,345,028)
Taxes paid (other than the income tax)	(946,700)	(301,582)
Bank fees paid	(5,473)	(5,235)
Rent paid	(11,852)	(316,961)
Consulting and audit fees paid	(149,590)	(61,551)
Communication expenses paid	(48,498)	(85,041)
Stationary expenses paid	(23,244)	(12,477)
Advertising and marketing expenses paid	(30,810)	(65,988)
Interest received from deposits	161,295	170,517
Amounts due from credit institutions	(476,023)	(2,453,427)
Other expenses paid	(709,164)	(475,061)
Cash flows used in operating activities	**(1,521,041)**	**(3,093,157)**
Cash flows from investing activities		
Issue of loan	-	(57,200)
Property and equipment purchased	(46,196)	(50,541)
Disposal of property and equipment	-	-
Purchase of intangible assets	(2,832)	(47,909)
Other prepaid expenses	-	-
Loans issued repaid	-	-
Interest on loans issued	-	-
Cash flows used in investing activities	**(49,028)**	**(155,650)**
Cash flows from financing activities		
Interest paid on lease liability	-	-
Principal paid for lease liability	(315,559)	-
Issue of share capital	2,099,819	3,165,914
Net Cash flows from/ (used in) financing activities	**1,784,260**	**3,165,914**
Effect of changes in foreign exchange rate	(84,283)	(329,933)
Net Increase/(decrease) in cash and cash equivalents	**129,908**	**(412,826)**
Cash and cash equivalents at the beginning of year	**236,948**	**649,774**
Cash and cash equivalents at the end of year	**366,856**	**236,948**

Marekhi Guruli
General Director

Sophiko Ephenia
Financial Director

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NOTES

1. GENERAL INFORMATION

Prime Insurance JSC (the Company) is a Joint-Stock Company domiciled in and registered under the laws of Georgia at October 4, 2007. The Company operates by head office and has four service centers in Batumi, Telavi, Poti and Tbilisi. The Company's principal activity is Insurance activity. The Company owns 2 types of licenses for life and non-life insurance, issued by the Insurance State Supervision Service of Georgia. The registered office of the Company is Vake District, University Street, N24, Floor 6, Entrance 1, Ofiice #6, Tbilisi.

As at 31 December 2022 and 2021 founder and 100% shareholder of the Company is MERCURY EUROPE HOLDINGS (B165504, Emile Reuter ave. N11, L-2420, Luxemburg).

As at 31 December 2022 and 2021 the ultimate shareholder and controlling party of the Company is Alia Babaeva (Azerbaijan).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2022.

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

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

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

NOTES

Going Concern

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

1. The company's regulatory capital requirements are not in compliant with insurance laws in state of Georgia for the year ended 31 December 2022.
2. The company is in continuous losses and as on 31-12-2022 its accumulated losses reached to Gel 6,195,316.
3. From the 01 January 2023, International Financial reporting standard 9 (IFRS-9) is applicable and implications of said IFRS may have some adverse impacts on measurement and valuation of the financial assets of the company.

Mitigating Factors

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

1- During the year ended 31 December 2022 the Shareholders have injected fresh equity 2,099,819 GEL and during 2023 already injected 1,691,785 GEL and share capital is 14,683,072. The said injections shall materially reduce the short fall in regulatory capital.
2- If company`s business plan along with fresh equity injection could not fill the gap of regulatory capital short fall or the adverse impacts of IFRS-9 (if any) then the current shareholders of the company are ready to cover the short fall by additional new capital injections.
3- The management has chalked out a business plan with detailed lines of business projections and with all key ratios (loss ratio, acquisition expense ratio, OPEX, combined ratio), the said plan shows that the company shall be in compliance with all regulatory requirements in ensuing years.
4- The management of the company has also prepared a plan to limit its administrative and operating expenses without, however, effecting the operational efficiency of the company.
5- Further to strengthen the financial position, the shareholders have agreed to waive all dividend pay-outs for coming years till all regulatory requirements are complied with.
6- The company has shared the above plans with the regulatory body and the management of the company is not expecting any operational and financial sanctions/penalties.

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

NOTES (CONTINUED)

(B) NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

New and amended standards in issue but not yet effective

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

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

- Insurance companies have the option to continue using IAS 39 instead of IFRS 9 financial instruments until 2023;
- In May 2017, IFRS 17 insurance contracts were issued, which will replace IFRS 4 from 2023;

(C) JOINT ARRANGEMENTS: JOINT OPERATION

A joint arrangement is an arrangement of which two or more parties have joint control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement (in contrast to joint venture, where the parties have rights to the net assets of the arrangement). Where the Company is a joint operator in a joint operation, it recognizes in relation to its interest in a joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly; (c) its revenue from the sale of its share of the output arising from the joint operation; (d) its share of the revenue from the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly.

NOTES (CONTINUED)

(D) INSURANCE REVENUE AND EXPENSES RECOGNITION

Gross premiums

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

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

Reinsurance premiums

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

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

Insurance benefits and claims

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

NOTES (CONTINUED)

(E) FINANCIAL INSTRUMENTS

Initial recognition and measurement

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

Subsequent measurement of financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

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

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

NOTES (CONTINUED)

Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorized on initial recognition. During the reporting period, the Company did not classify any financial liabilities as held for trading or designated as at fair value through profit or loss. All the other financial liabilities are carried at amortized cost using the effective interest method.

Typically, trade and other payables and borrowings are classified in this category. Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

Derecognition of financial liabilities

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

Assets related to insurance

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

Lease liabilities

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

NOTES (CONTINUED)

(F) LIABILITIES FROM INSURANCE CONTRACTS

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

The unearned premiums reserve (UPR) represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Liability adequacy test

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

(G) DEFERRED ACQUISITION COSTS (DAC)

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

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

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

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

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

NOTES (CONTINUED)

(H) PROPERTY AND EQUIPMENT

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

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

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

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

Leasehold improvement	5-year straight line
Technical equipment	2-5-year straight line
Fixture and fittings	5-10-year straight line
Vehicles	10-year straight line

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

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

Right-of-use assets

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

NOTES (CONTINUED)

(I) INTANGIBLE ASSETS

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

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

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

(J) INVESTMENT PROPERTY

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

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

Subsequently, investment properties are carried at cost less any accumulated depreciation and impairment losses. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life of 20 years. Land is not depreciated. Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

(K) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

NOTES (CONTINUED)

(L) FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

(M) INCOME TAXES

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

Using the statement of financial position liability method, deferred tax is recognized in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only to the extent that the Company considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilized within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Company’s intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except if it arises from transactions or events that are recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or directly in equity, respectively.

(N) PROVISIONS

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

NOTES (CONTINUED)

(O) EQUITY

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary shares are classified as equity. Equity instruments are recognized at the amount of proceeds received net of costs directly attributable to the transaction. To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account.

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

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

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

The Company applied temporary exemption from IFRS 9 as:

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

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

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

Under IFRS 4, liabilities connected with insurance comprise:

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

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

As at 31 December 2022 liabilities connected with insurance comprised:

	31.12.2022
Insurance liabilities within the scope of IFRS 4	
Insurance contract liabilities	**6,853,199**
Insurance liabilities that are not within the scope of IFRS 4	
Commision payables	221,896
	221,896
Total carrying amount of insurance-related liabilities	**7,075,095**

NOTES (CONTINUED)

Total liabilities	**7,381,721**
The share of insurance-related liabilities in the carrying amount of total liabilities	**96%**

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

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

3. SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The ultimate liability arising from claims made under insurance contracts

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

Impairment of insurance, reinsurance and subrogation receivables

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

NOTES (CONTINUED)

Deferred acquisition costs (DAC)

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

Useful lives of property and equipment and intangible assets

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

Fair value of property

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

Income tax

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

NOTES (CONTINUED)

4. NET INSURANCE REVENUE

2022	Written premium	Re-share in written premium	Net written premium	Net change in UPR	Net earned premium
Medical	2,848,443	-	2,848,443	(1,054,924)	1,793,519
CASCO, TPL	2,342,054	(990,919)	1,351,135	474,033	1,825,168
MTPL (Compulsory)	2,333,863	-	2,333,863	(90,895)	2,242,968
Financial risk	384,381	-	384,381	9,680	394,061
Agro	335,143	-	335,143	-	335,143
Liability	292,802	(249,832)	42,970	62,099	105,069
Container	218,766	-	218,766	1,321	220,087
Cargo	164,891	(142,683)	22,208	7,187	29,395
Property	150,744	(124,333)	26,411	37,138	63,549
Travel	30,421	-	30,421	263	30,684
	9,101,508	**(1,507,767)**	**7,593,741**	**(554,098)**	**7,039,643**

2021	Written premium	Re-share in written premium	Net written premium	Net change in UPR	Net earned premium
CASCO, TPL	1,829,768	(28,793)	1,800,975	(72,433)	1,728,542
MTPL (Compulsory)	1,275,348	-	1,275,348	(19,942)	1,255,406
Medical	931,565	-	931,565	(47,103)	884,462
Container	314,165	-	314,165	5,942	320,107
Financial risk	359,795	-	359,795	(4,300)	355,495
Liability	252,204	(84,376)	167,828	20,643	188,471
Cargo	164,888	(49,845)	115,043	1,721	116,764
Property	113,675	(28,701)	84,974	(35,763)	49,211
Agro	112,071	-	112,071	-	112,071
Travel	5,298	-	5,298	(563)	4,735
	5,358,777	**(191,715)**	**5,167,062**	**(151,798)**	**5,015,264**

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

NOTES (CONTINUED)

5. INSURANCE BENEFITS AND CLAIMS PAID

	2022	2021
Insurance claims paid	(4,601,376)	(2,998,185)
Gross change in RBNS and IBNR	(505,141)	279,374
Income from Subrogation and salvages	837,942	576,936
Insurance claims and change connected to insurance contract liabilities	**(4,268,575)**	**(2,141,875)**
Reinsurers' share in change of RBNS and IBNR	95,303	-
Reinsurers' share in paid insurance claims	353,681	-
Insurance claims paid and change in **insurance contract liabilities recovered from reinsurers**	**448,984**	**-**
Net insurance claims	**(3,819,591)**	**(2,141,875)**

6. COMMISSION EXPENSES (ACQUISITION COSTS)

	2022	2021
Current year acquisition costs	(744,126)	(389,943)
Expenses deferred from current year acquisition costs	312,249	162,018
Amortization of deferred acquisition cost, prior years	(177,878)	(148,935)
	(609,755)	**(376,860)**

Movement of deferred acquisition costs:

	2022	2021
At January 1	**177,878**	**164,795**
Current year deferred acquisition costs	744,126	162,018
Amortization	(609,755)	(376,860)
31 December	**312,249**	**177,878**

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

	2022	2021
Less than 1 year	312,249	177,878
More than 1 year and less than 5 years	-	-
	312,249	**177,878**

NOTES (CONTINUED)

7. GENERAL AND OTHER ADMINISTRATIVE EXPENSES

	2022	2021
Depreciation and amortization	316,599	292,345
Consultancy and audit expense	227,546	178,723
Compulsory insurance center	204,544	215,883
Service fee	159,368	220,513
Penalties	129,048	23,685
Office expenses	121,354	7,700
Utilities and communication expenses	86,929	95,038
Fuel expenses	81,405	134,182
Marketing expenses	66,101	41,048
Rent expenses	59,413	57,693
Business trip expenses	58,097	117,357
maintenance and repair	47,081	35,664
Bank fees and commissions	12,054	10,165
Other administrative expenses	43,360	32,560
	1,612,899	**1,462,557**

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

Audit and consultation expenses includes audit fee amounted GEL 50,726 (2021: GEL 55,525), Software support expense with the amount of 72,000 GEL (2021: GEL 72,000). Subscription fee for State Insurance Supervision Service with the amount of 82,448 GEL (2021: GEL69,504).

Service Fee includes expenses such as legal, notary, transportation, translation and repairment services.

The penalties represent the fines which are accrued based on the overdue days of income and profit tax payables, in addition to that the company clarified the declarations sent in prior periods on which addition fines have been accrued.

	2022	2021
Depreciation of PPE	71,053	76,728
Depreciation of Intangible assets	37,253	34,589
Depreciation of Right Of Use assets	208,293	181,028
	316,599	**292,345**

NOTES (CONTINUED)

8. INCOME TAX

The company is in losses so no current tax expenses is recognizing, further deferred tax asset/(liability) is also not recognized because from 1st January 2024 Estonian model of taxation, in which the profit distributed as dividends are taxable, will be applicable for insurance companies.

9. PROPERTY AND EQUIPMENT

Historical cost	Leasehold improvement	Technical and telecommunication equipment	Furniture and other fixed assets	Vehicles	Land	Total
31.12.2020	**40,963**	**243,978**	**201,967**	**139,442**	**-**	**626,350**
Additions	18,512	6,169	2,790	23,790	74,040	**125,301**
Revaluation	-	-	-	-	132,983	**132,983**
Disposals	-	-	-	-	-	**-**
31.12.2021	**59,475**	**250,147**	**204,757**	**163,232**	**207,023**	**884,634**
Additions	-	42,672	4,388	-	**-**	**47,060**
Revaluation	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	**-**
31.12.2022	**59,475**	**292,819**	**209,145**	**163,232**	**-**	**931,694**
Accumulated depreciation						
31.12.2020	**(9,107)**	**(181,317)**	**(87,407)**	**(102,530)**	**-**	**(380,361)**
Depreciation charge for the year	(13,241)	(22,714)	(17,006)	(23,767)	-	**(76,728)**
Disposals	-	-	-	-	-	**-**
31.12.2021	**(22,348)**	**(204,031)**	**(104,413)**	**(126,297)**	**-**	**(457,089)**
Depreciation charge for the year	(12,886)	(26,020)	(17,151)	(14,996)	-	**(71,053)**
Disposals	-	-	-	-	-	**-**
31.12.2022	**(35,234)**	**(230,051)**	**(121,564)**	**(141,293)**	**-**	**(528,142)**
Net book value						
31.12.2020	**31,856**	**62,661**	**114,560**	**36,912**	**-**	**245,989**
31.12.2021	**37,127**	**46,116**	**100,344**	**36,935**	**207,023**	**427,545**
31.12.2022	**24,241**	**62,768**	**87,581**	**21,939**	**207,023**	**403,552**

NOTES (CONTINUED)

10. INTANGIBLE ASSETS

Historical cost	
31.12.2020	**205,859**
Additions	72,509
31.12.2021	**278,368**
Additions	2,833
31.12.2022	**281,201**
Accumulated Amortization	
31.12.2020	**(97,728)**
Amortization charge for the year	(34,589)
31.12.2021	**(132,317)**
Amortization charge for the year	(37,253)
31.12.2022	**(169,570)**
Net book value	
31.12.2020	**108,131**
31.12.2021	**146,051**
31.12.2022	**111,631**

Amortization has been charged entirely to general and administrative expenses.

11. RIGHT OF USE ASSETS AND LEASE LIABILITES

Movement in right-of-use assets can be presented as follows

	2022	**2021**
At 1 January	**477,538**	**658,566**
Additions	-	-
Modification	65,263	-
Amortization	(208,293)	(181,028)
At 31 December	**334,508**	**477,538**

Movement in lease liabilities can be presented as follows:

	2022	**2021**
At 1 January	**575,333**	**803,924**
Additions	-	-
Modification	(33,980)	-
Interest expense	48,064	53,429
Lease payments	(255,136)	(208,207)
Foreign exchange movements	(27,655)	(73,813)
At 31 December	**306,626**	**575,333**

NOTES (CONTINUED)

Lease Liability as of 31 December 2022:

	Up to 1 Year	1 to 5 years	More than 5 Year	Total
Lease liabilities	184,023	122,603	-	**306,626**

Lease Liability as of 31 December 2021:

	Up to 1 Year	1 to 5 years	More than 5 Year	Total
Lease liabilities	217,144	358,189	-	**575,333**

The Company leases spaces for administrative office and service centers. Lease payments for all assets are fixed. The lease payments are nominated in USD. The renewal option of the agreement is implied through customary business practices. The management believes that it is reasonably certain to exercise the renewal options of administrative office and service centers leases.

The above-mentioned lease agreements determine fixed lease payments for non-cancelable period. As the renewal option is implied through customary business practices the Company is using the same lease payments for the extended period.

12. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

	31.12.2022	31.12.2021
Insurance contract liabilities		
Unearned premium reserve	3,172,491	1,750,461
Reserve for reported but settled claims (RBNS)	1,169,358	798,190
Reserve for incurred but not reported claims (IBNR)	300,319	233,464
	4,642,168	**2,782,115**

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

Reinsurance assets		
Re-share in unearned premium reserve	921,495	43,836
Re-share in reserve for reported but settled claims (RBNS)	436,897	76,129
Re-share in reserve for incurred but not reported claims (IBNR)	14,204	8,631
	1,372,596	**128,596**

NOTES (CONTINUED)

Liabilities from insurance contracts net of reinsurance were as follows:

Insurance contract liabilities net of Re-share		
Unearned premium reserve	2,250,996	1,706,625
Reserve for reported but settled claims (RBNS)	732,461	722,061
Reserve for incurred but not reported claims (IBNR)	286,115	224,833
	3,269,572	**2,653,519**

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

Gross Unearned premium reserve	**31.12.2022**	**31.12.2021**
Balance at 1 January	**1,750,461**	**1,587,707**
Written premium	9,101,508	5,358,777
Earned premium	(7,679,478)	(5,196,023)
Balance at 31 December	**3,172,491**	**1,750,461**

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

Reinsurers' share in unearned premium reserve		
Balance at 1 January	**43,836**	**32,880**
Reinsurers' share in written premium	1,516,712	191,715
Reinsurers share in earned premium	(639,053)	(180,759)
Balance at 31 December	**921,495**	**43,836**

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

Unearned premium reserve net of reinsurance		
Balance at 1 January	**1,706,625**	**1,554,827**
net written premium	7,584,796	5,167,062
net earned premium	(7,040,425)	(5,015,264)
Balance at 31 December	**2,250,996**	**1,706,625**

NOTES (CONTINUED)

13. INSURANCE AND REINSURANCE RECEIVABLES

	31.12.2022	**31.12.2021**
Receivables from policyholders	4,615,548	3,304,553
Receivables from reinsurers	411,434	28,348
	5,026,982	**3,332,901**
Impairment loss	(1,701,684)	(1,235,878)
	3,325,298	**2,097,023**

	31.12.2022	**31.12.2021**
Balance at the beginning of the year	**(1,235,878)**	**(1,235,878)**
Provision for impairment during the year	(465,806)	-
Write off receivables	-	-
Balance at the end of the year	**(1,701,684)**	**(1,235,878)**

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

14. OTHER ASSETS

Financial assets	**31.12.2022**	**31.12.2021**
Receivables from subrogation	126,598	156,610
Non-financial assets		
Prepaid expenses	124,660	124,660
Paid advances	8,251	43,530
Salvages	33,371	21,770
Prepaid expenses for lawsuit	25,779	-
Other	32,645	67,432
	351,304	**414,002**

Receivables from subrogation can be presented as follows:

	31.12.2022	**31.12.2021**
Receivables from regress	**1,484,341**	**861,775**
Impairment loss	(1,357,743)	(705,165)
Receivables from regress	**126,598**	**156,610**

NOTES (CONTINUED)

Movement in provision for impairment of subrogation receivables can be presented as follows:

	31.12.2022	31.12.2021
Provision balance at the beginning of the year	**(705,165)**	**(767,935)**
Provision for impairment during the year	(652,578)	(105,872)
Write off receivables from subrogation	-	168,642
Provision balance at the end of the year	**(1,357,743)**	**(705,165)**

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

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

a) Cash and cash equivalent and amount due from credit institutions is presented below:

	31.12.2022	31.12.2021
Cash on current accounts	359,737	171,716
Cash on hand	7,119	65,232
	366,856	**236,948**

Amounts due from credit institutions	31.12.2022	31.12.2021
JSC "Procredit Bank"	5,174,330	4,925,184
JSC "Bank of Georgia"	1,675,240	1,920,512
JSC "Halyk Bank Georgia"	810,400	889,520
Interest accrued:	15,511	9,889
	7,675,481	**7,745,105**

Short-term deposits include restricted cash placed on bank accounts to conform to the requirement of regulatory legislation (Note 20, paragraph of Capital Management).

At 31 December 2022 interest rates on deposits in national currency is in range 10.5 – 11.5% (2021: 10 – 11.5%), in USD: 0.25 – 4.1% (2021: 0.25 - 4.1%)

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

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

NOTES (CONTINUED)

16. SHARE CAPITAL

From the Company's authorized share capital of GEL 2,800 (2,800 ordinary shares with a nominal value of GEL 4,640 each), GEL 12,991,287 (2021: 10,891,468) is fully paid. Ordinary shareholders are presented in Note 1.

Date	Quantity	Total Capital
31.12.2022	2,800	**12,991,287**
31.12.2021	2,800	**10,891,468**

17. OTHER INSURANCE LIABILITIES

	31.12.2022	31.12.2021
Financial liabilities		
Deposited amount	343,794	154,843
Commission payables to Brokers	221,896	154,754
Other current liabilities	59,682	240,129
Non-financial liabilities		
Tax payable	203,832	415,611
Deferred commission income	254,533	7,088
	1,083,737	**972,425**

18. REINSURANCE LIABILITIES

	31.12.2022	31.12.2021
Scor Perestrakhovaniye LLC	1,269,947	126,202
MAI Georgia Insurance Brokers LTD	67,986	21,683
Azre Reinsurance OJSC FAC	8,951	-
IRAO lnternational Insurance Company IRAO JSC / VIG	2,306	7,299
	1,349,190	**155,184**

At 31.12.2022 liabilities to reinsurers are presented as follows: LLC – Scor Perestrakhovaniye LLC - 94%, MAI Georgia Insurance Brokers LTD - 5%.

At 31.12.2021 liabilities to reinsurers are presented as follows: Scor Perestrakhovaniye LLC - 63%, MAI Georgia Insurance Brokers LTD - 28% and IRAO lnternational Insurance Company- 9%.

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

NOTES (CONTINUED)

19. CONTINGENCIES AND COMMITMENTS

Legal cases

As at 31st December 2022 and 2021, the company has ongoing legal cases, where company is a defendant. The lawsuits are connected to claims, as well as employee compensation. Disputed amount, considering all ongoing legal cases sums up 716,496 GEL (2021: 1,012,672 GEL). The Company has reinsured part of the mentioned contingent liability with the total amount of 162,120 GEL (2021: 94,000 GEL). The part of above-mentioned lawsuits are processing in trial court, and the other part – are appealed and awaiting for the appointment in court of appeal. Based on estimating the trial court decision and the probability of final negative decision, management believes that the ultimate liability, if any, arising from actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company. Related to above mentioned no provision is accrued in the financial statements.

Taxes

Georgian tax legislation may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Company may be assessed additional taxes, penalties, and interest. The Company believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

Compliance with regulatory requirements

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

20. RISK MANAGEMENT

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

Capital management objectives, policies and approach

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

The capital management objectives are:

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

NOTES (CONTINUED)

- To maintain financial strength, to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

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

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

Approach to capital management

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

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

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

Capital Management

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

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

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

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

Regulatory Requirements

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

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

SRp - Solvency ratio calculated by the premium method;

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

As of 31 December 2022, Regulatory Solvency Margin is 1,870,511 GEL (31 December, 2021: 1,756,504 GEL).

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

The Company currently did not meet the regulatory capital requirement as required by insurance laws applicable in state of Georgia. Deficit in supervisory capital at 31 December 2022, is 940,918 GEL in minimum capital requirements and in solvency requirements it is not violated.

NOTES (CONTINUED)

20.1. Insurance risk

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

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. Taking this into account, the Company sets out underwriting directives and restrictions, which determine who can take what risk and with what restrictions. These restrictions are constantly monitored.

The Company primarily uses the “loss ratio” to monitor its insurance risk. The loss ratio is defined as net insurance claims divided by net insurance revenue. The Company’s loss ratio calculated on a net basis were as follows:

	2022	**2021**
Loss ratio	61%	43%

Insurance contracts of the Company are comprised of: Vehicle, health and life, property, cargo, aviation, personal accident, travel, liability insurance, third-party liability insurance. Duration of this kind of contracts is mainly 12 months.

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

Insurance risk management

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, for example hurricanes, earthquakes, and flood damages.

Management believes that due to the short-tailed nature of the Company’s business, the performance of the Company’s portfolio is sensitive mainly to changes in expected loss ratios. The Company adjusts its insurance tariffs on a regular basis based on the latest developments in these variables so that any emerging trends are taken into account.

Concentrations of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company’s liabilities. Such

NOTES (CONTINUED)

concentrations may arise from a single insurance contract or through a number of related contracts with similar risk features. The risk is managed through the use of reinsurance. Concentration of risk is provided by subclassification of unearned premium reserve by the types of insurance.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the insured sector and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. However, given the uncertainty in establishing claims provision, it is likely that the outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and RBNS.

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

At the end of each reporting period the Company assess whether its recognized insurance liabilities are adequate: the Company determines whether the amount of recognized insurance liabilities is less than the amount that would be required to settle the liability. If it is less, the insurer will recognize the entire difference in profit or loss and increase the carrying amount of the relevant insurance liabilities. Deficits are recognized in profit or loss for the year. No shortfalls were identified between 2022 and 2021 and therefore no additional inexhaustible risk reserve was required.

20.2. Financial risks

The Company is exposed through its operations to the following financial risks:

• Credit risk

• Liquidity risk

• Market risk

- Currency risk
- Interest rate risk

Principal financial instruments.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows

FINANCIAL ASSETS	**2022**	**2021**
Cash and cash equivalents	366,856	236,948
Amounts due from credit institutions	7,675,481	7,745,105
Other assets	126,598	156,610
Insurance and reinsurance receivables	3,325,298	2,097,023
Reinsurance assets (Except re-share in unearned premium provision)	451,101	84,760
Issued loans	57,200	57,200
BALANCE AT 31 DECEMBER	**12,002,534**	**10,377,646**

NOTES (CONTINUED)

FINANCIAL LIABILITIES	2022	2021
Lease liabilities	306,626	575,333
Insurance contract liabilities (Except unearned premium provision)	1,469,677	1,031,654
Reinsurance liabilities	1,349,190	155,184
Other liabilities	625,372	549,726
BALANCE AT 31 DECEMBER	**3,750,865**	**2,311,897**

IFRS 7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Company has no financial assets or liabilities measured at fair value; accordingly, they are not presented under the IFRS 7 fair value measurement hierarchy.

Carrying amounts of financial assets and financial liabilities approximate their fair values.

The fair value of cash and cash equivalents was determined using level 1 measurement, fair values of other financial assets and liabilities were determined using level 2 and level 3 measurement.

	2022			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Issued loans	-	-	57,200	57,200
Reinsurance assets (Except re-share in unearned premium provision)	-	-	451,101	451,101
Insurance and reinsurance receivables	-	-	3,325,298	3,325,298
Other assets	-	-	126,598	126,598
Amounts due from credit institutions	7,675,481	-	-	7,675,481
Cash and cash equivalents	366,856	-	-	366,856
Total financial assets	**8,042,337**	**-**	**3,960,197**	**12,002,534**
Financial liabilities				
Lease liabilities	-	-	306,626	306,626
Insurance contract liabilities (Except unearned premium provision)	-	-	1,469,677	1,469,677
Reinsurance liabilities	-	-	1,349,190	1,349,190
Other liabilities		-	625,372	625,372
Total financial liabilities	**-**	**-**	**3,750,865**	**3,750,865**

NOTES (CONTINUED)

	2021			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Issued loans	-	-	57,200	57,200
Reinsurance assets (Except re-share in unearned premium provision)	-	-	84,760	84,760
Insurance and reinsurance receivables	-	-	2,097,023	2,097,023
Other assets	-	-	156,610	156,610
Amounts due from credit institutions	7,745,105	-	-	7,745,105
Cash and cash equivalents	236,948	-	-	236,948
Total financial assets	**7,782,053**	**-**	**2,395,593**	**10,377,646**
Financial liabilities				
Lease liabilities	-	-	575,333	575,333
Insurance contract liabilities (Except unearned premium provision)	-	-	1,031,654	1,031,654
Reinsurance liabilities	-	-	155,184	155,184
Other liabilities	-	-	549,726	549,726
Total financial liabilities	**-**	**-**	**2,311,897**	**2,311,897**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. In general, the credit risk of the company is related to the sale of insurance products (deferral payment) for consumers in the Georgian market and depends on the solvency of each customer.

The Company's Management has established a credit policy under which each customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Limits are set for each customer individually.

In monitoring customer credit risk, customers are grouped according to their overdue status, including whether they are an individual or legal entity, geographic location, industry, maturity, and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the management, and future sales are made necessary on a prepayment basis.

The Company establishes an allowance for impairment that represents best estimate of incurred losses in respect of trade and other receivables. These are related to collective loss components established for groups of similar assets in respect of overdue analyses.

NOTES (CONTINUED)

Reinsurance

Despite the Company has a reinsurance practice, it is not exempt from direct obligations to policyholders and thus there is credit risk in the event of a transfer if any reinsurer fails to meet its obligations under such reinsurance agreements.

The Company is not dependent on any reinsurer and the Company's operations are not substantially dependent on any reinsurance contract. The Company assesses the financial condition of its reinsurers and monitors the concentration of credit risks in similar geographical areas, activities, or economic characteristics of the insurers to minimize the potential loss caused by the reinsurers' default.

The Company analyzes ageing of insurance receivables for managing credit risks. Ageing analysis of insurance receivables can be presented as follows:

31.12.2022	**0–30 days overdue**	**31–60 days overdue**	**61-90 days overdue**	**91-120 days overdue**	**121-365 days overdue**	**More than 365 days overdue**	**Total**
Probability of losses	*0%*	*15%*	*30%*	*50%*	*80%*	*100%*	
Carrying amount	2,849,745	7,071	22,910	7,153	192,474	1,536,195	**4,615,548**
Provision for impairment	-	(1,061)	(6,873)	(3,576)	(153,979)	(1,536,195)	**(1,701,684)**
Net Receivables	**2,849,745**	**6,010**	**16,037**	**3,577**	**38,495**	**-**	**2,913,864**

31.12.2021	**0–30 days overdue**	**31–60 days overdue**	**61-90 days overdue**	**91-120 days overdue**	**121-365 days overdue**	**More than 365 days overdue**	**Total**
Probability of losses	*0%*	*0%*	*10%*	*30%*	*50%*	*100%*	
Carrying amount	1,899,210	147,566	14,056	7,410	8,127	1,228,186	**3,304,555**
Provision for impairment	-	-	(1,406)	(2,222)	(4,064)	(1,228,186)	**(1,235,878)**
Net Receivables	**1,899,210**	**147,566**	**12,650**	**5,188**	**4,063**	**-**	**2,068,677**

Liquidity Risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. Liquidity risk refers to the availability of sufficient funds to meet liabilities repayments and other financial commitments associated with financial instruments as they actually fall due. The Management controls these types of risks by means of maturity analysis, determining the Company’s strategy for the next financial period.

The Company performs regular monitoring of future expected cash flows in order to manage liquidity risk, which is a part of assets/liabilities management process.

NOTES (CONTINUED)

An analysis for 2022 year of the liquidity is presented in the following table:

FINANCIAL ASSETS	Less than 1 year	1-5 year	more than 5 year	Total
Issued loans	-	-	57,200	57,200
Reinsurance assets (Except re-share in unearned premium provision)	451,101	-	-	451,101
Insurance and reinsurance receivables	3,325,298	-	-	3,325,298
Other assets	126,598	-	-	126,598
Amounts due from credit institutions	-	7,675,481	-	7,675,481
Cash and cash equivalents	366,856	-	-	366,856
BALANCE AT 31 DECEMBER	**4,269,853**	**7,675,481**	**57,200**	**12,002,534**

FINANCIAL LIABILITIES	Less than 1 year	1-5 year	more than 5 year	Total
Lease liabilities	184,023	122,603	-	306,626
Insurance contract liabilities (Except unearned premium provision)	1,469,677	-	-	1,469,677
Reinsurance liabilities	1,349,190	-	-	1,349,190
Other liabilities	625,372	-	-	625,372
BALANCE AT 31 DECEMBER	**3,628,262**	**122,603**	**-**	**3,750,865**
LIQUIDITY POSITION	**641,591**	**7,552,878**	**57,200**	**8,251,669**

Liquidity position as at 31 December 2021:

FINANCIAL ASSETS	Less than 1 year	1-5 year	more than 5 year	Total
Issued loans	-	-	57,200	57,200
Reinsurance assets (Except re-share in unearned premium provision)	84,760	-	-	84,760
Insurance and reinsurance receivables	2,097,023	-	-	2,097,023
Other assets	156,610	-	-	156,610
Amounts due from credit institutions	-	7,745,105	-	7,745,105
Cash and cash equivalents	236,948		-	236,948
BALANCE AT 31 DECEMBER	**2,575,341**	**7,745,105**	**57,200**	**10,377,646**

FINANCIAL LIABILITIES	Less than 1 year	1-5 year	more than 5 year	Total
Lease liabilities	217,144	358,189	-	575,333
Insurance contract liabilities (Except unearned premium provision)	1,031,654	-	-	1,031,654
Reinsurance liabilities	155,184	-	-	155,184
Other liabilities	549,726	-	-	549,726
BALANCE AT 31 DECEMBER	**1,953,708**	**358,189**	**-**	**2,311,897**
LIQUIDITY POSITION	**621,633**	**7,386,916**	**57,200**	**8,065,749**

NOTES (CONTINUED)

Market Risk

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors. Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk).

Interest Rate Risk
The interest rate risk is the risk (with variable value) related to the interest-bearing assets/liabilities – loans, because of the variable rate. In current period the Company does not have any assets/liabilities with variable interest rate.

Currency risk
Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Financial assets by currency

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

	GEL	**USD**	**EUR**	**Total**
Cash and cash equivalents	198,537	168,319	-	**366,856**
Amounts due from credit institutions	270,340	7,405,141	-	**7,675,481**
Other assets	126,598	-	-	**126,598**
Receivables from insurance and reinsurance	2,252,457	1,072,841	-	**3,325,298**
Reinsurance assets (Except re-share in unearned premium provision)	451,101	-	-	**451,101**
Issued loans	57,200	-	-	**57,200**
BALANCE AT 31 DECEMBER 2022	**3,356,233**	**8,646,301**	**-**	**12,002,534**
Cash and cash equivalents	234,101	2,847	-	**236,948**
Amounts due from credit institutions	270,000	7,475,105	-	**7,745,105**
Other assets	156,610	-	-	**156,610**
Receivables from insurance and reinsurance	1,190,602	876,862	29,559	**2,097,023**
Reinsurance assets (Except re-share in unearned premium provision)	84,760	-	-	**84,760**
Issued loans	57,200	-	-	**57,200**
BALANCE AT 31 DECEMBER 2021	**1,993,273**	**8,354,814**	**29,559**	**10,377,646**

Financial liabilities by currency

The following table analyses the breakdown of liabilities by currency.

	GEL	**USD**	**EUR**	**Total**
Other liabilities	625,372	-	-	**625,372**
Reinsurance liabilities	67,987	1,281,203	-	**1,349,190**
Insurance contract liabilities (Except unearned premium provision)	1,469,677	-	-	**1,469,677**
Lease liabilities	-	306,626	-	**306,626**
BALANCE AT 31 DECEMBER 2022	**2,163,036**	**1,587,829**	**-**	**3,750,865**

NOTES (CONTINUED)

Other liabilities	501,468	45,785	2,473	**549,726**
Reinsurance liabilities	-	147,885	7,299	**155,184**
Insurance contract liabilities (Except unearned premium provision)	1,031,654			**1,031,654**
Lease liabilities	18,526	556,807	-	**575,333**
BALANCE AT 31 DECEMBER 2021	**1,551,648**	**750,477**	**9,772**	**2,311,897**

Sensitivity analysis

A 10% increase / decrease in the exchange rate of GEL/USD would increase / cut profits after tax by GEL 705,847 (2021: GEL 760,434).

A 10% increase / decrease in the exchange rate of GEL/EUR would increase / cut profits by 0 GEL (2021: GEL 1,979).

21. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties, as defined by IAS 24 ‘Related party disclosures’, represent:

a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives then significant influence over the Company; and that have joint control over the Company;

b) Members of key management personnel of the Company or its parent;

c) Close members of the family of any individuals referred to in (a) or (b);

d) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (b);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Company and other related parties are disclosed below.

Included in the statement of comprehensive income are the following amounts which were recognized in transactions with related parties:

	2022	**2021**
Statement of comprehensive income	**Transactions with related parties**	**Transactions with related parties**
Key management personnel compensation	(433,202)	(462,496)
Commission income		
Other*	(570)	(455)
General and administrative expenses		
Other*	(77,779)	(5,400)

NOTES (CONTINUED)

Included in the statement of financial position are the following amounts which were recognized in transactions with related parties:

	31.12.2022	31.12.2021
Statement of financial position	**Transactions with related parties**	**Transactions with related parties**
Insurance and reinsurance receivables		
Shareholder	-	-
Other*	182,284	68,182
Other assets		
Other*	-	19,310
Deferred acquisition costs		
Other*	10,639	35
Other liabilities		
Other*	27,429	28,877

22. EVENTS AFTER REPORTING DATE

In 2023 nominal value of each shares was increased by additional capital contributions 1,691,785 GEL and share capital is 14,683,072.