JSC PRIME INSURANCE

FINANCIAL STATEMENTS AND INDEPHENDENT AUDITORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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These financial statements are presented in GEL.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JSC PRIME INSURANCE

Opinion

We have audited the financial statements of JSC Prime Insurance (the Company), which comprise the statement of financial position as at December 31, 2023 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, 2023, and 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, premiums, due & overdue days and other necessary information required for correct measurement & valuations of insurance premium receivables. 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, 2023, which is stated in the statement of financial position at 2,169,114 (2022: 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 2023 the expected outcome of legal disputes with total amount of 611,749 (2022: 716,496) GEL. 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.

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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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 2023 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 para 6 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

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- 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.

15 May, 2024

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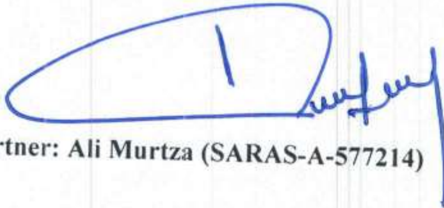


Engagement Partner: Ali Murtza (SARAS-A-577214)

STATEMENT OF COMPREHENSIVE INCOME

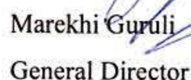
	Notes	2023	2022 Restated
Insurance revenue	4	11,327,945	7,860,953
Insurance service expenses	5	(11,282,074)	(7,433,620)
Insurance service result before reinsurance contracts held		**45,871**	**427,333**
Income from re-insurance contract held	4	3,107,404	622,301
Expenses of reinsurance contracts held	5	(4,776,582)	(2,920,675)
Net expense from reinsurance contracts held		**(1,669,178)**	**(2,298,374)**
Insurance service result		**(1,623,307)**	**(1,871,041)**
Net investment income	6	389,356	127,867
Exchange Gan / (Loss) on financial assets		(164,063)	(825,480)
Financial income and expenses		(24,220)	(14,361)
Finance income / (expenses) from reinsurance contracts, net		-	-
Net financial result		**201,073**	**(711,974)**
Other income		13,042	(2,467)
Profit before tax		**(1,409,192)**	**(2,585,482)**
Income tax expense		-	-
Profit for the year		**(1,409,192)**	**(2,585,482)**
Other Comprehensive Income for the year		-	-
Total Comprehensive Income for the year		**(1,409,192)**	**(2,585,482)**

Marekhi Guruli
General Director

Sophiko Ephenia
Financial Director

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2023	Restated 31.12.2022	Restated 01.01.2022
Assets				
Cash and cash equivalents	7	1,216,774	366,856	236,948
Amount due from credit institutions	8	8,620,264	7,675,481	7,745,105
Re-Insurance contract assets	9	1,007,333	170,777	-
Other current assets	10	350,236	281,906	314,589
Right of use assets	11	134,023	334,508	477,538
Intangible assets		84,771	111,631	145,962
Property, plant and Equipment	12	415,231	403,552	427,545
		11,828,632	**9,344,711**	**9,347,687**
Equity				
Statutory Capital	15	15,490,640	12,991,287	10,891,468
Revaluation reserve		132,983	132,983	132,983
Retained earnings		(7,527,260)	(6,118,068)	(3,532,586)
		8,096,363	**7,006,202**	**7,491,865**
Liabilities				
Insurance contract liabilities	13	2,967,456	1,424,575	464,668
Re-Insurance contract liabilities	9	-	-	5,329
Lease payables	11	115,693	306,626	575,333
Other current liabilities	14	649,120	607,308	810,492
		3,732,269	**2,338,509**	**1,855,822**
		11,828,632	**9,344,711**	**9,347,687**

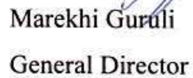


Marekhi Guruli
General Director

Sophiko Ephenia
Financial Director

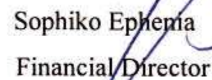
STATEMENT OF CHANGES IN EQUITY

	Share Capital	Retained Earning	Revaluation reserve	Total
31 December 2021	**10,891,468**	**(3,601,622)**	**132,983**	**7,422,829**
IFRS 17 Adjustments	-	69,036	-	**69,036**
31 December 2021 Restated	**10,891,468**	**(3,532,586)**	**132,983**	**7,491,865**
Profit/(Loss) for the year	-	(2,585,482)	-	**(2,585,482)**
Increase in share capital	2,099,819	-	-	**2,099,819**
31 December 2022 Restated	**12,991,287**	**(6,118,068)**	**132,983**	**7,006,202**
Profit/(Loss) for the year	-	(1,409,192)	-	**(1,409,192)**
Increase in share capital	2,499,353	-	-	**2,504,967**
31 December 2023	**15,490,640**	**(7,527,260)**	**132,983**	**8,096,363**



Marekhi Guruli

General Director



Sophiko Ephemia

Financial Director

STATEMENT OF CASH FLOWS

	2023	2022
Cash flows from operating activities		
Cash received from Insurance Revenue	10,120,284	7,136,777
Insurance service expenses Paid	(7,821,273)	(4,754,390)
Cash received from re-insurance contract held	305,045	12,372
Expenses of reinsurance contracts held Paid	(167,901)	(150,532)
Other income received	24,289	-
Employee benefits paid	(1,569,541)	(1,525,209)
Taxes paid (other than the income tax)	(630,258)	(946,700)
Bank fees paid	-	(5,473)
Rent paid	(38,246)	(11,852)
Stationary expenses paid	-	(23,244)
Consulting and audit fees paid	(78,480)	(149,590)
Communication expenses paid	(84,773)	(48,498)
Advertising and marketing expenses paid	(58,218)	(30,810)
Other expenses paid	(633,488)	(709,164)
Cash flows used in operating activities	**(632,560)**	**(1,206,313)**
Cash flows from investing activities		
Purchase / Disposal of property and equipment	(79,219)	(46,196)
Amounts due from credit institutions	(1,032,613)	(476,023)
Interest received from deposits	414,137	161,295
Purchase / Disposal of intangible assets	(14,659)	(2,832)
Cash flows used in investing activities	**(712,354)**	**(363,756)**
Cash flows from financing activities		
Principal paid for lease liability	(223,660)	(315,559)
Issue of share capital	2,499,368	2,099,819
Net Cash flows from/ (used in) financing activities	**2,275,708**	**1,784,260**
Effect of changes in foreign exchange rate	(80,876)	(84,283)
Net Increase/(decrease) in cash and cash equivalents	**849,918**	**129,908**
Cash and cash equivalents at the beginning of year	**366,856**	**236,948**
Cash and cash equivalents at the end of year	**1,216,774**	**366,856**

Marekhi Guruli
General Director

Sophiko Ephenia
Financial Director

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, Office #6, Tbilisi.

As at 31 December 2023 founder and 95% shareholder of the Company is MERCURY EUROPE HOLDINGS (B165504, Emile Reuter ave. N11, L-2420, Luxemburg), and 5% is owned by minor shareholder.

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

As at 31 December 2023 and 2022 the ultimate shareholder and controlling party of the Company is Alia Babaeva owner of MERCURY EUROPE HOLDINGS (Azerbaijan).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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 2023.

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 (egg 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 (CONTINUED)

2.1.1 Standards, interpretations and amendments to existing standards that are effective from 1 January 2023

The following relevant standards, interpretations and amendments to existing standards were issued by the IASB

Standard number	Title	Effective Date
IAS 1	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction -Amendments to IAS 12	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

The above standards have been adopted by the Company and did not have a material impact on these financial statements, except for the adoption of "IFRS 17 Insurance contracts".

Further, the Company also adopted IFRS 9 'Financial Instruments' along with application of IFRS 17. The Company adopted the impairment requirements of IFRS 9, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Company recorded an additional impairment allowance on its expected premium and reinsurance receipts in accordance with the expected credit loss model

Standards issued but not yet effective

The impact of the new standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective

Standard number	Title	Effective Date
IAS 1	Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024

2.2 Transition Impact

The Company has applied the transition provisions in IFRS 9 and effects the of adopting these standards on the financial statements as at 1 January 2022 and 31 December 2022 are presented below:

As on 31 December 2022	**Before IFRS-17**	**After IFRS-17**	**Impact**
Insurance contract Liability	1,511,353	1,424,575	(86,778)
Re-Insurance contract assets	180,307	170,777	(9,530)
Equity Impact			**(96,309)**

1 January 2022	**Before IFRS-17**	**After IFRS-17**	**Impact**
Insurance contract Liability	533,704	464,668	(69,036)
Re-Insurance contract assets	(5,329)	(5,329)	-
Equity Impact			**(69,036)**

Material accounting policy information

NOTES (CONTINUED)

2.3 IFRS 17 Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company applies the PAA to simplify the measurement of contracts in the non-life segment. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information applying the transitional provisions to IFRS 17.

2.4 Recognition

Recognition requirements are slightly different for issued contracts and held contracts. For groups of issued contracts, a group should be recognized at the earliest of the following:

Beginning of the coverage period;

Date when the first payment from a policyholder becomes due; and for a group of onerous contracts, when the group becomes onerous.

Reinsurance contracts held by an entity are recognised on the earlier of:

- Beginning of the coverage period of the group of reinsurance contracts held; and
- Date the entity recognises an onerous group of underlying insurance contracts provided the reinsurance contract was in force on or before that date.
- Regardless of the first point above, the recognition of proportional reinsurance contracts held shall be delayed until the recognition of the first underlying contract issued under that reinsurance contract.

Level of Aggregation

Level of aggregation relates to the unit of account under IFRS 17. The unit of account under IFRS 17 is referred to as a 'Group of Contracts' and requirements relating to level of aggregation define how groups of contracts have to be determined.

The standard has set out the following requirements to determine a group of contracts:

Portfolio - contracts that have similar risks and that are managed together can be grouped.

Profitability - contracts with similar expected profitability (at inception or initial recognition) can be grouped.

NOTES (CONTINUED)

For this purpose, the standard has mandated at least the following three classifications however it is permitted to use more granular classifications:

Contracts that are onerous at inception;

Contracts that are not onerous and have no significant possibility of becoming onerous; and All other contracts

Cohorts

Contracts issued more than 12 months apart cannot be grouped together. However, in certain circumstances a one- time simplification upon transition for contracts as at the transition is allowed.

A unique combination of the above three requirements forms a group of contracts i.e., contracts with same portfolio, same expected profitability and issued in the same year can be grouped together. This grouping is permanent and cannot be changed once assigned, regardless of how the actual experience emerges after initial recognition. For instance, as experience emerges an entity may realize that a contract which was thought to be onerous at initial recognition is not onerous, but the grouping will not be changed.

2.5 Measurement Models

Measurement model, in rudimentary terms, refers to the basis or a set of methodologies for the computation of insurance contract assets and liabilities and associated revenues and expenses. IFRS 17 has provided the following three measurement models:

Premium Allocation Approach ("PAA")

PAA is an optional simplification that an entity can apply to contracts that have a coverage period of up to 12 months or to contracts for which it can demonstrate that the liability for remaining coverage will not be materially different under PAA and GMM. In terms of computations, the major simplification relates to LRC.

Under PAA, it is not required to consider each component of the premium separately instead a single liability can be set up. The components of liability under PAA as at any valuation date can be summarized as follows:

Liability for Remaining Coverage ("LRC")

- Excluding Loss Component
- Loss Component, if any

Liability for Incurred Claims ("LIC")

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

All of the Company's short-term business is eligible for this simplification and the Company has adopted this simplification for the eligible business. Under PAA, loss component and claim reserves requires an explicit provision of risk adjustment this would increase the liabilities whereas discounting will generally decrease the liabilities. The net effect of PAA depends on whether the impact of risk adjustment is greater than the impact of discounting or the impact deferring additional expenses that are currently not deferred.

General Measurement Model ("GMM")

GMM is the default measurement model and is applied to all contracts to which Premium Allocation Approach ("PAA") and Variable Fees Approach ("VFA") are not applied. GMM is based on the premise that premiums (or considerations) for insurance contracts comprises of certain components (such claims, expenses and profits) and that each component needs to be considered according to its nature. The liability under GMM as at any valuation date comprises of the following:

Liability for Remaining Coverage ("LRC")

NOTES (CONTINUED)

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows
- Contractual Service Margin ("CSM")

Liability for Incurred Claims ("LIC")

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

Variable Fees Approach ("VFA")

VFA is a mandatory modification to contracts with direct participation features. A contract is a contract with direct participation feature if it meets all three of the following requirements:

- Contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items.
- The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.
- The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

The components of the liability under VFA are same as GMM and their calculations are quite similar too except for the computation of CSM. Under VFA, CSM calculations reflect the variability related to underlying items, but GMM does not reflect this variability. Similarly, there are some other aspects related to financial risk that impact the CSM under VFA but, not under GMM.

The measurement models have been discussed above are in context of insurance contracts issued and associated liabilities, but same principles are applicable to reinsurance contract held and associated assets (except for VFA). Similarly, both LRC and LIC components are mentioned however, at initial recognition only LRC is applicable.

Estimates of future cashflows, risk adjustment and discounting are collectively referred to as the Fulfilment Cashflows ("FCF"). In terms of revenues and expense GMM and VFA are quite similar however, a significant difference exists between GMM/VFA and PAA. The revenues under GMM and VFA show each component of the premium separately (such as expected claims and expenses) whereas under PAA, the revenue shows just an aggregate amount.

Company's unit-linked business is measured using VFA, all other long-term business is measured using GMM. There are fundamental differences between GMM / VFA and the current methodologies for the long-term business. The key differences are discussed below:

Under IFRS 17 assets or liabilities will be determined using gross premium calculations as opposed to risk premium calculations. This implies that under IFRS 17 all components of assets or liabilities such as expenses or profits will be computed explicitly. This also implies that expenses or costs that occur only at the start will be deferred implicitly. The impact of this difference cannot be generalized as it depends on whether the implicit margins within risk-premium based calculations are higher or lower than those required in gross-premium based calculations.

Similar to PAA, GMM and VFA also require an explicit risk adjustment. Risk adjustment is a new requirement, and it does not exist under the current standard. Risk adjustment will increase the liabilities for insurance contracts issued and increases the asset for the reinsurance contracts held.

IFRS 17 also introduces substantial changes to the pattern in which profits are recognized for long- term contracts it requires that the profits to be recognized in relation to the service provided. The new standard introduces a new measure, 'coverage units', to quantify the services provided in any period. Given that single premium contracts recognize all expected profits at the start of the coverage whereas services are provided throughout that coverage period, it is expected that under IFRS 17 profit recognition for single premium contracts will be delayed and therefore

NOTES (CONTINUED)

the net liabilities will increase because of this requirement. Similarly, for limited-payment plans, all expected profits are recognized by the end of the payment term and therefore the profits for these will also be relatively delayed in IFRS 17. The impact for regular payment plans will depend on how close the service pattern is to the one currently implied under the plans.

The definition of revenue under GMM and VFA is quite different for long-term contracts. Under IFRS 17 revenue (or consideration) is more direct and separately includes each component of the premium (i.e., expected claims and expenses and the portion of the profits relating to the period).

2.6 Estimates of Future Cashflows

The standard requires that future cashflows should be estimated till the end of the contract boundary. End of contract boundary is defined as the point at which an entity can either reassess the risk or consideration i.e., premium. The standard does not provide the methodology for the estimation of future cashflows however, it does provide detailed guidance on the cashflows that are within and beyond the contract boundary. It also provides certain principles in relation to the estimates of future cashflows.

2.7 Discounting

The standard requires the estimates of future cashflows should be discounted to reflect the effect of time value of money and financial risks. Similar to other provisions it does not specify a methodology for discounting or the derivation of discount rates however, it sets out certain principles. The standard does recognize the following two approaches for the derivation of the discount rates:

- Bottom-Up: An approach where a risk-free rate or yield curve is used and an illiquidity premium is added to reflect the characteristics of the cashflows.
- Top-Down: An approach where the expected yield on a reference portfolio is used and adjustments are applied to reflect the differences between the liability cashflow characteristics and the characteristics of the reference portfolio.

For cashflows that are linked to the underlying items for contracts with direct participation features, the discount rates must be consistent with other estimates used to measure insurance contracts. The above two approaches may have to be adjusted to reflect the variability in the underlying items for such cashflows.

2.8 Contractual Service Margin ("CSM")

'Contractual Service Margin (CS:M) represents the unearned profit the entity will recognize as it provides insurance contract services in the future. At initial recognition CSM is computed using the fulfillment cash flows (FCF) whereas at subsequent measurement CSM is computed using the opening CSM balance and various adjustments relating to the period. A portion of CSM is released to Profit & Loss as revenue in every period using coverage units.

2.9 Onerous Contracts and Loss Components

When a group of contracts, whether at initial recognition or subsequently, is or becomes onerous a loss component liability must be maintained. Under GMM and VFA this liability is implicitly included in the FCFs for LRC but for PAA an explicit loss component over the base LRC must be computed and set aside.

2.10 Transition

The default transition approach under IFRS 17 is the Full Retrospective Approach ("FRA") which requires that upon transition IFRS 17 should be applied from inception of the groups of contracts as if IFRS 17 has always been applicable. However, if FRA is impracticable the following methods may be adopted:

Modified Retrospective Approach ("MRA"): Under this approach the objective is to achieve the closest possible approximation to the FRA using the modifications allowed within the standard and without undue cost and effort.

NOTES (CONTINUED)

Fair Value Approach ("FVA"): Under this approach the fair value of the groups of contracts is computed and compared with the FCF. The CSM or loss component is the difference between the fair value and the FCF. Fair values for this purpose must be computed applying IFRS 13.

Key Accounting Policy Choices

IFRS 17 requires Company to make various accounting policy choices. The key accounting policy choices made by the Company are described below.

Accounting Policy	Company Decision
Level of Aggregation - Adopting more granular profitability	Company has adopted the minimum three classifications provided in the standard and not use more granular classifications.
Level of Aggregation - Adopting more granular cohort	Company is using annual cohorts and not shorter cohorts.
PAA - Deferring insurance acquisition cashflows	Under PAA, in some circumstances, it is allowed to recognize insurance acquisition cashflows as expense when incurred however, the Company does not apply this choice instead it defers all insurance acquisition cashflows.
PAA- Discounting LIC	Under PAA, in some circumstances, it is allowed not to discount the LIC, but Company is not using this option and discounts all LIC.
Interest Accretion - OCI Option	The standard allows that finance expense to be split between OCI, and P&L. Company aims to reflect entire finance expense in the P&L and plans not to split between OCI and P&L.
Transition Approach	The Company is using Modified Retrospective Approach.

2.11 Revenue recognition

Insurance revenue and reinsurance expenses - methods and assumptions used in the determination of the contractual service margin (CSM) to be recognized in statement of profit or loss for the insurance contract services provided or received in the year.

For contracts measured under the General Measurement Model (GMM) in which the Company has discretion over the cash flows to be paid to the policyholders, judgement might be involved in the determination of what the Company considers its commitment on initial recognition of such contracts. Further, judgement might be required to distinguish subsequent changes in the fulfilment cash flows (FCF) resulting from changes in the Company's commitment and those resulting from changes in assumptions that relate to the financial risk on that commitment.

2.12 Finance income or expenses from insurance contracts issued

Insurance finance income or expenses Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- Interest accreted on the CSM;
- Interest accreted on the PAA LRC excluding the LC (if adjusted for the financing effect);
- The financing effect on the LC measured under the PAA (if adjusted for the financing effect);
- The effect of changes in FCFs at current rates, when the corresponding CSM unlocking is

measured at the locked in rates;

- Any interest charged to or added to insurance / reinsurance asset or liability balances; and
- The effect of changes in interest rates and other financial assumptions.

For all groups of contracts, the Company disaggregates insurance finance income or expenses for the period between profit or loss and other comprehensive income (that is, the OCI option is applied). The finance income and expenses from insurance contracts issued recognized in the statement of profit or loss reflects the unwind of the liabilities at the locked-in rates. The remaining amount of finance income and expenses from insurance contracts issued for the period is recognized in OCI.

2.13 Other revenue recognition

a) Interest income

Interest income and expense for all interest-bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount of the financial instrument, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision) and are recognized within 'interest income' in the statement of profit or loss.

b) Dividend income

Dividend income from investments is recognized in the statement of profit or loss when the Company's right to receive dividend has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

c) Reinsurance commission earned

Commissions earned are recognised fully at the time the related insurance contracts are written.

2.14 Financial instruments

a) Investments and other financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or statement of other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

All "regular way" purchases and sales of financial assets are recognized on the "trade date", i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in

NOTES (CONTINUED)

the marketplace. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'Net investment income/ (loss)' together with foreign exchange gains and losses. Impairment losses are included within 'Net investment income/ (loss)' in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the income statement and is presented net within 'Net investment income' in the period in which it arises.
- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net investment income'. Interest income from these financial assets is calculated using the effective interest rate method. Foreign exchange gains and losses are presented in 'Net investment income'.

a) Equify investment’s

The Company subsequently measures all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVTOCI. The Company's policy is to designate equity investments at FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as "Net investment income/ (loss)" when the Company's right to receive payments is established.

The unit linked assets include investments held on behalf of policyholders of unit linked products, financial assets from reinsurer towards policyholders of unit linked products contracts and cash held on behalf of policyholders. Investments held on behalf of policyholders of unit linked products and financial assets from reinsurer towards policyholders of unit linked products contracts are accrued to the account of the contract holder at the fair value of the net gains arising from the underlying linked assets. All these contracts are designated as at fair value through profit or loss and were designated in this category upon initial recognition. Cash held on behalf of policyholders are designated as amortized cost investment designated in this category upon initial recognition.

NOTES (CONTINUED)

impingent and uncollectible q, (financial assets

The Company assesses the collectability of its financial assets based on its credit policy and default events. Refer to (b) below for impairment of insurance and other receivables.

(b) Insurance and other receivables

Impairment of financial assets

The Company applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortized cost and debt instruments classified as FVOCI. Assets migrate through the three stages based on the change in credit quality since initial recognition.

Overview

The Company is recording the allowance for expected credit losses for debt financial assets not held at FVTPL. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL"). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company categorizes its FVOCI assets into stages as described below:

Stage 1: When financial instruments are first recognized, the Company recognizes an allowance based on 12-month ECLs. Stage **1** also include financial instruments where the credit risk has improved and the has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECLs. Stage 2 also include instruments, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset. The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

The calculation of ECLs

NOTES (CONTINUED)

The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD ") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. The mechanics of the ECL method are summarized below:

Stage **1:** The 12-month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original BIR

Stage 3: For financial asset considered credit-impaired, the Company recognizes the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the **PD** set at 100%.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in other comprehensive income is recycled to the profit or loss upon derecognition of the assets.

Forward looking information

The Company, for forward looking information, relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Oil prices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(c) Financial liabilities

The Company recognizes a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

NOTES (CONTINUED)

All financial liabilities are initially recognized at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortized cost, unless the Company opted to measure a liability at FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities included in insurance and other payables are recognized initially at fair value and subsequently at amortized cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Offsetting (financial assets and liabilities)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value less overdrafts with banks. Bank overdrafts are shown within liabilities in the statement of financial position.

(e) Bank deposits with banks with original maturities femora than three months

Deposits held with banks with original maturities of more than three months are initially measured at fair value and subsequently measured at amortized cost.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognized in the statement of profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

NOTES (CONTINUED)

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.

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.

INTANGIBLE ASSETS

Intangible assets are stated at cost, less accumulated amortization and provision for impairment, where required. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

NOTES (CONTINUED)

Amortization is calculated using the straight-line method to allocate their cost or devalued amounts to their residual values over their estimated useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortization is calculated on a straight-line basis over 7 years.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency monetary assets and liabilities are translated into the functional currency of the Company (Georgian Lair, "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 2023	2.69	2.98
Average rate for the year ended 31 December 2023	2.63	2.84
Exchange rate as at 31 December 2022	2.70	2.88
Average rate for the year ended 31 December 2022	2.92	3.08

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.

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 (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilized within the same tax jurisdiction.

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

The tax expense for the period comprises current and deferred tax. Tax is 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.

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)
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 (i.e. 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.

3. SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The sensitivities for life insurance contracts are disclosed in note 28.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Estimates of future cash flows to fulfill insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17, are all future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows which includes the expected premium receipts and ultimate cost of claims.

The ultimate cost of claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bereuter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

NOTES (CONTINUED)

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claim's development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims. The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Assessment of significance of insurance risk

The Company applies its judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the Company to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely.

Risk adjustment

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Onerous groups

The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Discounting

The Company adjusts the carrying amount of the insurance contracts liabilities and reinsurance contracts assets to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of contracts.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free curve itself will either be derived by the Company from risk free assets in the market, or the Company may choose to apply a published risk-free yield curve. The top-down approach starts with the determination of a reference portfolio. The reference portfolio yield will be taken as the yield on the underlying items to which the liability cashflows are linked.

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.

NOTES (CONTINUED)

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.

4. INSURANCE REVENUE AND INCOME FROM REINSURANCE CONTRACT HELD

The company is involved in general insurance and offers the following products. The insurance revenue for each product is as follows:

Products	Contract measured under PAA approach					
	Insurance Revenue		Income from re-insurance contract held		Total Insurance Revenue	
	2023	2022	2023	2022	2023	2022
Medical	3,420,596	1,738,133	-	-	3,420,596	1,738,133
CASCO, TPL	2,963,688	2,144,357	2,573,266	233,184	5,536,954	2,377,541
MTPL (Compulsory)*	2,673,146	2,242,968	-	68,184	2,673,146	2,311,152
Financial risk	360,963	394,734	-	-	360,963	394,734
Agro	248,692	335,143	-	-	248,692	335,143
Liability	257,786	285,998	119,255	159,146	377,041	445,144
Aviation	-	-	26,649	14,387	26,649	14,387
Container	166,080	220,246	-	22,484	166,080	242,730
Cargo	131,691	157,861	107,181	8,717	238,872	166,578
Property	133,986	129,293	146,816	94,164	280,802	223,457
Travel	57,621	30,745	-	16,462	57,621	47,207
Income from salvage	913,696	181,475	-	-	913,696	181,475
Changes to liabilities for incurred claims	-	-	134,237	5,573	134,237	5,573
Insurance Revenue	**11,327,945**	**7,860,953**	**3,107,404**	**622,301**	**14,435,349**	**8,483,254**

* 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.

Insurance Revenue	**2023**	**2022**
Allocation of Premium	10,414,249	7,679,478
Subrogation Salvage	913,696	181,475
Insurance Revenue	**11,327,945**	**7,860,953**

The Company derives its revenue from insurance contracts issued to policyholders. Insurance revenue represents the consideration received or receivable in exchange for providing insurance coverage over a specified period.

Income from re-insurance contract held	**2023**	**2022**
Amounts recoverable for claims and other expenses	2,390,839	448,984
Changes to liabilities for incurred but not reported claims and risk adjustment	134,237	5,573
Amortization of commission income	582,328	167,744
Total Income from re-insurance contract held	**3,107,404**	**622,301**

NOTES (CONTINUED)

The company have changed its risk management strategy to offload more risk to reinsurers, perhaps due to concerns about certain types of claims or market conditions. Because Amounts recoverable for claims and other expenses from reinsurer's is significantly increased in 2023.

The Company enters into reinsurance contracts to mitigate its exposure to losses arising from its direct insurance business. Income from reinsurance contracts held represents the amounts recognized from these reinsurance arrangements.

A comparison of net insurance revenue on each product line given below

	Contract measured under PAA approach					
Products	**Insurance Revenue**		**Expenses of reinsurance contracts held**		**Net Insurance Revenue**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Medical	3,420,596	1,738,133	31,583	-	3,389,013	1,738,133
CASCO, TPL	2,963,688	2,144,357	3,741,948	1,355,180	(778,260)	789,177
MTPL (Compulsory)*	2,673,146	2,242,968	-	-	2,673,146	2,242,968
Financial risk	360,963	394,734	-	-	360,963	394,734
Agro	248,692	335,143	-	-	248,692	335,143
Liability	257,786	285,998	468,845	648,450	(211,059)	(362,452)
Container	166,080	220,246	-	-	166,080	220,246
Cargo	131,691	157,861	257,214	577,050	(125,523)	(419,189)
Property	133,986	129,293	255,358	290,121	(121,372)	(160,828)
Travel	57,621	30,745	-	-	57,621	30,745
Income from salvage	913,696	181,475	-	-	913,696	181,475
Impact of foreign exchange	-	-	1,526	40,344	1,526	40,344
Impact of discounting	-	-	20,108	9,530	(20,108)	(9,530)
Total Insurance Revenue	**11,327,945**	**7,860,953**	**4,776,582**	**2,920,675**	**6,554,415**	**5,020,966**

NOTES (CONTINUED)

5. INSURANCE SERVICE EXPENSES AND EXPENSES OF REINSURANCE CONTRACT HELD

Below are the details of insurance service expenses categorized by product:

Products	Insurance Service Expenses measured under PAA approach					
	Insurance Service Expenses		Expenses of reinsurance contracts held		Total Insurance Service Expense	
	2023	2022	2023	2022	2023	2022
Medical	3,558,874	2,235,861	31,583	-	3,590,457	2,235,861
CASCO, TPL	4,782,077	2,801,815	3,741,948	1,355,180	8,524,025	4,156,995
MTPL (Compulsory)	394,021	373,619	-	-	394,021	373,619
Financial risk	992,648	611,925	-	-	992,648	611,925
Agro	615,830	65,758	-	-	615,830	65,758
Liability	95,974	468,372	468,845	648,450	564,819	1,116,822
Container	67,755	172,540	-	-	67,755	172,540
Cargo	40,753	36,860	257,214	577,050	297,967	613,910
Property	257,224	102,407	255,358	290,121	512,582	392,528
Travel	13,202	6,184	-	-	13,202	6,184
Impairment of assets for insurance acquisition cashflows	467,430	465,806	-	-	467,430	465,806
Impact of foreign exchange	(13,573)	87,915	1,526	40,344	(15,099)	47,571
Impact of discounting	9,859	4,558	20,108	9,530	29,967	14,088
Total Insurance Service Expenses	**11,282,074**	**7,433,620**	**4,776,582**	**2,920,675**	**16,055,604**	**10,273,607**

NOTES (CONTINUED)

Insurance Service Expenses	**2023**	**2022**
Incurred claims and other expenses	7,741,827	4,601,376
Impairment of assets for insurance acquisition cashflows	467,430	465,806
Changes in estimate relate to past service	804,092	438,286
Changes to liabilities for incurred claims	107,335	30,194
Amortization of insurance acquisition cash flows	760,182	609,755
Impact of foreign exchange	(13,573)	87,915
Impact of discounting	9,859	4,558
Other insurance services expenses	1,404,922	1,195,730
Total Insurance Service Expenses	**11,282,074**	**7,433,620**

Other insurance service expenses include Company's share in general and administrative expenses: Depreciation expense, Consultancy and audit expense, Fee of Compulsory insurance center, Utilities and communication expenses, Office and maintenance expenses and administrative expense.

Insurance service expense represents the costs incurred by the Company in providing insurance coverage to policyholders. These costs include claims incurred, change in the liability for incurred claims, and other expenses directly attributable to the underwriting of insurance contracts.

Expenses of reinsurance contracts held	**2023**	**2022**
Allocation of re-insurance premium	2,132,760	639,053
Impact of discounting	20,108	9,530
Impact of foreign exchange	1,526	40,344
Other Re-Insurance expenses	2,622,188	2,231,748
Total Expenses of reinsurance contracts held	**4,776,582**	**2,920,675**

Other reinsurance expenses include Reinsurer's share in general and administrative expenses: Depreciation expense, Consultancy and audit expense, Fee of Compulsory insurance center, Utilities and communication expenses, Office and maintenance expenses and administrative expense.

NOTES (CONTINUED)

Expenses of reinsurance contracts held represent the costs incurred by the Company in relation to its reinsurance arrangements, including commissions, premiums, and other expenses directly attributable to the reinsurance contracts held.

Below is the detail of expenses categorized by nature for each product:

	Insurance Service Expense under PAA approach 2023				
Product	**Incurred claims and other expenses**	**Changes to liabilities for incurred claims**	**Amortization of insurance acquisition cash flows**	**Other insurance services expenses**	**Insurance Service Expense**
Medical	2,830,329	32,760	230,438	456,388	3,549,915
CASCO, TPL	3,856,255	32,733	238,272	631,491	4,758,751
MTPL (Compulsory)	335,635	25,329	-	53,766	414,730
Financial risk	725,753	4,555	154,268	120,477	1,005,053
Agro	454,866	2,356	66,451	87,294	610,967
Liability	75,341	3,165	18,463	1,045	98,014
Container	44,023	2,863	15,879	7,059	69,824
Cargo	15,245	1,758	13,266	11,765	42,034
Property	208,471	1,270	10,099	35,637	255,477
Travel	-	547	13,046	-	13,593
Impairment of assets for insurance acquisition cashflows					467,430
Impact of foreign exchange					(13,573)
Impact of discounting					9,859
Total	**8,545,918**	**107,336**	**760,182**	**1,404,922**	**11,282,074**

	Insurance Service Expense under PAA approach 2022				
Product	**Incurred claims and other expenses**	**Changes to liabilities for incurred claims**	**Amortization of insurance acquisition cash flows**	**Other insurance services expenses**	**Insurance Service Expense**
Medical	1,713,471	6,688	103,077	406,546	2,229,782
CASCO, TPL	2,086,251	8,676	204,573	494,993	2,794,493
MTPL (Compulsory)	300,247	8,615	-	71,238	380,100
Financial risk	374,486	1,772	154,157	88,852	619,267
Agro	9,788	1,287	53,271	2,322	66,668

NOTES (CONTINUED)

Liability	350,448	1,098	32,100	83,149	466,795
Container	120,856	848	22,025	28,675	172,404
Cargo	14,438	606	18,786	3,423	37,253
Property	69,677	485	15,619	16,532	102,313
Travel	-	119	6,147	-	6,266
Impairment of assets for insurance acquisition cashflows	-	-	-	-	465,806
Impact of foreign exchange	-	-	-	-	87,915
Impact of discounting	-	-	-	-	4,558
Total	**5,039,662**	**30,194**	**609,755**	**1,195,730**	**7,433,620**

Below is a comparison of net insurance service expenses categorized by product:

	Insurance Service Expenses measured under PAA approach					
Products	**Insurance Service Expenses**		**Income from re-insurance contract held**		**Net Insurance Service Expense**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Medical	3,558,874	2,235,861	-	-	3,558,874	2,235,861
CASCO, TPL	4,782,077	2,801,815	2,573,266	233,184	2,208,811	2,568,631
MTPL (Compulsory)	394,021	373,619	-	68,184	394,021	305,435
Financial risk	992,648	611,925	-	-	992,648	611,925
Agro	615,830	65,758	-	-	615,830	65,758
Liability	95,974	468,372	119,255	159,146	(23,281)	309,226
Aviation	-	-	26,649	14,387	(26,649)	(14,387)
Container	67,755	172,540	-	22,484	67,755	150,056
Cargo	40,753	36,860	107,181	8,717	(66,428)	28,143
Property	257,224	102,407	146,816	94,164	110,408	8,243
Travel	13,202	6,184	-	16,462	13,202	(10,278)
Impairment of assets for insurance acquisition cashflows	467,430	465,806	-	-	467,430	465,806
Impact of foreign exchange	(13,573)	87,915	-	-	(13,573)	87,915
Impact of discounting	9,859	4,558	-	-	9,859	4,558
Changes to liabilities for incurred claims	-	-	134,237	5,573	(134,237)	(5,573)
Total Insurance Service Expenses	**11,282,074**	**7,433,620**	**3,107,404**	**622,301**	**8,174,670**	**6,811,319**

NOTES (CONTINUED)

	Expenses of reinsurance contracts held under PAA approach 2023 and 2022					
Product	**Allocation of re-insurance premium 2023**	**Other Re-Insurance expenses 2023**	**Total 2023**	**Allocation of re-insurance premium 2022**	**Other Re-Insurance expenses 2022**	**Total 2022**
Medical	14,166	17,417	31,583	-	-	-
CASCO, TPL	1,678,359	2,063,589	3,741,948	301,669	1,053,511	1,355,180
MTPL (Compulsory)	-	-	-	-	-	-
Financial risk	-	-	-	-	-	-
Agro	-	-	-	-	-	-
Liability	210,289	258,556	468,845	144,348	504,102	648,450
Container	-	-	-	-	-	-
Cargo	115,367	141,847	257,214	128,454	448,596	577,050
Property	114,579	140,779	255,358	64,582	225,539	290,121
Travel	-	-	-	-	-	-
Impact of discounting	-	-	20,108	-	-	9,530
Impact of foreign exchange	-	-	1,526	-	-	40,344
Total Expenses of reinsurance contracts held	**2,132,760**	**2,622,188**	**4,776,582**	**639,053**	**2,231,748**	**2,920,675**

NOTES (CONTINUED)

6. INVESTMENT INCOME, NET

	2023	2022
Interest income		
Interest income from deposits	422,623	167,351
Interest income from issued loans	11,440	11,440
	434,063	**178,791**
Interest expense		
Interest expense	44,707	50,924
	44,707	**50,924**
Total Investment Income, Net	**389,356**	**127,867**

7. CASH AND CASH EQUIVALENTS

	31.12.2023	31.12.2022
Cash on current accounts	928,950	359,737
Petty cash	3,449	7,119
Restricted cash	284,375	-
Total Cash and Cash Equivalents	**1,216,774**	**366,856**

In 2023 company enter in forward agreement with commercial bank, to used fixed exchange rate in currency transactions. The company has placed cash in restricted accounts to secure this agreement.

The fair value of cash and cash equivalents does not differ from their carrying amount as of December 31, 2023 and 2022.

8. AMOUNT DUE TO CREDIT INSTITUTIONS

	31.12.2023	31.12.2022
Principal:		
JSC "Procredit Bank"	4,393,759	5,174,330
JSC "Bank of Georgia"	1,640,600	1,675,240
JSC "Halyk Bank Georgia"	-	810,400
JSC "Liberty Bank"	410,048	-
JSC "Is Bank"	2,152,580	
Interest accrued:	23,277	15,511
Total Amounts Due Credit Institutions	**8,620,264**	**7,675,481**

Entity has placed deposits in commercial banks of Georgia, amount of short-term deposits is 4,603,228 GEL and long-term deposits is 3,993,759 GEL.

At 31 December 2023 interest rates on deposits in national currency is in range from 11.45% to 12%, (2022: 10.5 – 11.5%), in USD from 2.1% -to 5% (2022: 0.25 – 4.1%).

Interest income on deposits in 2023 is 422,623 GEL (2022: 167,351).

Start and maturity dates are presented below:

NOTES (CONTINUED)

Bank	Amount	CCY	Start date	Maturity date	Interest
Bank of Georgia	620,000	GEL	12/29/2023	12/30/2024	11.7%
Bank of Georgia	1,020,600	GEL	4/12/2023	4/13/2024	12%
Is bank	270,000	GEL	12/12/2023	12/12/2024	11%
Is bank	1,344,700	USD	7/4/2023	2/5/2024	5%
Is bank	537,880	USD	12/12/2023	12/12/2024	5%
Procredit Bank	400,000	GEL	12/29/2023	12/30/2024	11.50%
Procredit Bank	941,290	USD	3/11/2023	3/11/2025	4.80%
Procredit Bank	537,880	USD	1/26/2023	1/27/2025	2.50%
Procredit Bank	268,940	USD	3/16/2023	3/17/2025	2.50%
Procredit Bank	268,940	USD	1/3/2022	1/3/2024	2.10%
Procredit Bank	1,169,889	USD	11/17/2022	11/18/2024	2.30%
Procredit Bank	806,820	USD	7/14/2023	7/14/2027	4.30%
Liberty Bank	410,048	GEL	12/29/2023	12/29/2024	11.45%
Total	**8,596,987**				

The fair value of amounts due from credit institutions does not differ from their carrying amount as of December 31, 2023 and 2022.

NOTES (CONTINUED)

9. RE-INSURANCE CONTRACT ASSETS UNDER PAA APPROACH

Particulars	RE-INSURANCE CONTRACT ASSETS UNDER PAA APPROACH 31-Dec-23				
	Assets for remaining coverage		Assets recoverable on incurred claims		Re-insurance contract assets
	Excluding Loss Component	Loss Component	PV of future cash flows	Risk Adjustment of non-financial risk	
Opening Re-insurance contract assets as at 01/01	70,800	-	95,303	4,674	170,777
Opening Re-insurance contract liabilities	-	-	-	-	-
Net income or (expense) from reinsurance contracts held	-	-	-	-	-
Allocation of re-insurance premium	(2,132,760)	-	-	-	(2,132,760)
Net amounts payable on account of salvage share	-	-	-	-	-
Amounts recoverable for claims and other expenses	-	-	2,390,839	-	2,390,839
Changes in estimate relate to past service	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	-	134,237	134,237
Amortization of commission income	582,328	-	-	-	582,328
Impact of foreign exchange	(1,526)				(1,526)
Insurance fiancé income			-		-
Discounting impact	-	-	(20,108)	-	(20,108)
Total changes in statement of profit and loss and OCI	**(1,481,158)**	**-**	**2,466,034**	**138,911**	**1,123,787**
Recoveries in respect of claims	-	-	(2,189,761)	-	(2,189,761)
Recoveries in respect of other receivables from re-insurer	2,707,800	-	-	-	2,707,800
Payments to re-insurer on account of salvage	-	-	-	-	-
Recoveries in respect of commission	(733,014)	-	-	-	(733,014)
Subrogation Payments	-	-	-	-	-
Payments in respect of share of premium	98,521	-	-	-	98,521
Total cash flows	**2,073,307**	**-**	**(2,189,761)**	**-**	**(116,454)**
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	592,149	-	276,273	138,911	1,007,333
Net closing position of re-insurance contract assets	**592,149**	**-**	**276,273**	**138,911**	**1,007,333**

NOTES (CONTINUED)

Particulars	**RE-INSURANCE CONTRACT ASSETS UNDER PAA APPROACH 31-Dec-22**				
	Assets for remaining coverage		**Assets recoverable on incurred claims**		**Re-insurance contract assets**
	Excluding Loss Component	**Loss Component**	**PV of future cash flows**	**Risk Adjustment of non-financial risk**	
Opening Re-insurance contract assets as at 01/01	(13,960)		-	8,631	(5,329)
Opening Re-insurance contract liabilities	-	-	-	-	-
Net income or (expense) from reinsurance contracts held	-	-	-	-	-
Allocation of re-insurance premium	(639,053)	-	-	-	(639,053)
Net amounts payable on account of salvage share	-	-	-	-	-
Amounts recoverable for claims and other expenses	-	-	448,984	-	448,984
Changes in estimate relate to past service	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	-	5,573	5,573
Amortization of commission income	167,744	-	-	-	167,744
Impact of foreign exchange	(40,344)		-	-	(40,344)
Insurance finance income			-	-	-
Discounting impact	-	-	(9,530)	-	(9,530)
Total changes in statement of profit and loss and OCI	**(525,613)**	**-**	**439,454**	**14,204**	**(71,955)**
Recoveries in respect of claims		-	(353,681)	-	(353,681)
Recoveries in respect of other receivables from re-insurer	617,515	-	-	-	617,515
Payments to re-insurer on account of salvage	-	-	-	-	-
Recoveries in respect of commission	(415,189)	-	-	-	(415,189)
Subrogation Payments	-	-	-	-	-
Payments in respect of share of premium	394,087	-	-	-	394,087
Total cash flows	**596,413**	**-**	**(353,681)**	**-**	**242,732**
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	70,800	-	85,773	14,204	170,777
Net closing position of re-insurance contract assets	**70,800**	**-**	**85,773**	**14,204**	**170,777**

NOTES (CONTINUED)

10. OTHER ASSETS

Financial assets	31.12.2023	31.12.2022
Issued loans	57,200	57,200
Non-financial assets		
Paid advances	132,944	132,911
Salvages	63,070	33,371
Prepaid expenses for Enforcement	62,996	25,779
Other	34,026	32,645
Total Other Assets	**350,236**	**281,906**

Loan is issued to individual. The loan must be repaid at maturity date. Maturity date is 24.12.2041, interest rate is in accordance market rated on loans set by NBG, interest rate on issued loan is 17.8%.

Paid advances include prepaid fee on compulsory insurance center. Prepaid expenses for Enforcement are prepaid amounts to National Enforcement Bureau. Salvages includes scrap left over from Casco claims.

11. RIGHT OF USE AND LEASE LIABILITY

Right of use asset	2023	2022
At 1 January	**334,508**	**477,538**
Additions	-	-
Modification	-	65,263
Amortization	(200,485)	(208,293)
At 31 December	**134,023**	**334,508**

Lease liability	2023	2022
At 1 January	**306,626**	**575,333**
Additions	-	-
Modification	-	(33,980)
Interest expense	41,847	48,064
Lease payments	(221,150)	(255,136)
VAT	-	-
Foreign exchange movements	(11,630)	(27,655)
At 31 December	**115,693**	**306,626**

Entity is entered two lease agreement, from entity has rented office spaces. Lease period ends in 8/31/2024. During discount cash flow calculation entity used 7,43% rate.

NOTES (CONTINUED)

12. FIXED ASSETS

Historical cost	Leasehold improvement	Technical and telecommunication equipment	Furniture and other fixed assets	Vehicles	Land	Total
31.12.2021	**59,475**	**250,147**	**204,757**	**163,232**	**207,023**	**884,634**
Additions	-	42,672	4,388	-		**47,060**
Disposals	-	-	-	-	-	**-**
31.12.2022	**59,475**	**292,819**	**209,145**	**163,232**	**207,023**	**931,694**
Additions	32,500	32,486	14,262	-		**79,248**
Disposals				(42,422)		**(42,422)**
31.12.2023	**91,975**	**325,305**	**223,407**	**120,810**	**207,023**	**968,520**
Accumulated depreciation						
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)**
Depreciation charge for the year	(16,549)	(25,530)	(16,759)	(8,731)	-	**(67,569)**
Disposals				42,422	-	**42,422**
31.12.2023	**(51,783)**	**(255,581)**	**(138,323)**	**(107,602)**	**-**	**(553,289)**
Net book value						
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**
31.12.2023	**40,192**	**69,724**	**85,084**	**13,208**	**207,023**	**415,231**

NOTES (CONTINUED)

13. INSURANCE CONTRACT LIABILITY MEASURED UNDER PAA APPROACH

Particulars	INSURANCE CONTRACT LIABILITY MEASURED UNDER PAA APPROACH 31-Dec-23				
	Liability for remaining coverage		Liability for incurred claims		Insurance contract liability
	Excluding Loss Component	Loss Component	PV of future cash flows	Risk Adjustment of non-financial risk	
Opening insurance contract assets as at 01/01	-	-	-	-	-
Opening insurance contract liabilities as at 01/01	168,274	-	1,071,480	184,819	1,424,573
Net opening position of insurance contracts	**168,274**	**-**	**1,071,480**	**184,819**	**1,424,573**
Insurance Revenue	**(10,414,249)**	**-**	**(913,696)**	**-**	**(11,327,945)**
Incurred claims and other expenses	-	-	7,741,827	-	7,741,827
Impairment of assets for insurance acquisition cashflows	467,430	-	-	-	467,430
Changes in estimate relate to past service	-	-	804,091	-	804,091
Changes to liabilities for incurred claims	-	-	-	107,335	107,335
Impact of foreign exchange	(14,403)	-	830	-	(13,573)
Discounting impact	-	-	9,859	-	9,859
Insurance finance expense	-	-	24,220	-	24,220
Amortization of insurance acquisition cash flows	760,182	-	-	-	760,182
Insurance service expenses	**1,213,209**	**-**	**8,580,827**	**107,335**	**9,901,371**
Total changes in statement of profit and loss and OCI	**(9,201,040)**	**-**	**7,667,131**	**107,335**	**(1,426,574)**
Premiums received	10,742,091	-	-	-	10,742,091
Claims and other expenses paid	-	-	(7,743,922)	-	(7,743,922)
Net Cash Recoveries from salvage	-	-	597,489	-	597,489
Acquisition cost paid	(626,201)	-	-	-	(626,201)
Total cash flows	**10,115,890**	**-**	**(7,146,433)**	**-**	**2,969,457**
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	1,083,124	-	1,592,178	292,154	2,967,456
Net closing position of insurance liabilities	**1,083,124**	**-**	**1,592,178**	**292,154**	**2,967,456**

NOTES (CONTINUED)

Particulars	INSURANCE CONTRACT LIABILITY MEASURED UNDER PAA APPROACH 31-Dec-22				
	Liability for remaining coverage		Liability for incurred claims		Insurance contract liability
	Excluding Loss Component	Loss Component	PV of future cash flows	Risk Adjustment of non-financial risk	
Opening insurance contract assets as at 01/01	-	-	-	-	-
Opening insurance contract liabilities as at 01/01	(341,340)	-	651,382	154,625	464,667
Net opening position of insurance contracts	**(341,340)**	**-**	**651,382**	**154,625**	**464,667**
Insurance Revenue	**(7,679,478)**	**-**	**(181,475)**	**-**	**(7,860,953)**
Incurred claims and other expenses	-	-	4,601,376	-	4,601,376
Impairment of assets for insurance acquisition cashflows	465,806	-	-	-	465,806
Changes in estimate relate to past service	-	-	438,286	-	438,286
Changes to liabilities for incurred claims	-	-	-	30,194	30,194
Impact of foreign exchange	124,584	-	(36,669)	-	87,915
Discounting impact	-	-	4,558	-	4,558
Insurance finance expense	-	-	14,361	-	14,361
Amortization of insurance acquisition cash flows	609,755	-	-	-	609,755
Insurance service expenses	**1,200,145**	**-**	**5,021,912**	**30,194**	**6,252,251**
Total changes in statement of profit and loss and OCI	**(6,479,333)**	**-**	**4,840,437**	**30,194**	**(1,608,702)**
Premiums received	7,665,931	-	-	-	7,665,931
Claims and other expenses paid	-	-	(4,631,825)	-	(4,631,825)
Net Cash Recoveries from salvage	-	-	211,486	-	211,486
Acquisition cost paid	(676,982)	-		-	(676,982)
Total cash flows	**6,988,949**	**-**	**(4,420,339)**	**-**	**2,568,610**
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	168,276	-	1,071,480	184,819	1,424,575
Net closing position of insurance liabilities	**168,276**	**-**	**1,071,480**	**184,819**	**1,424,575**

NOTES (CONTINUED)

14. OTHER LIABILITY

	31.12.2023	31.12.2022
Financial liabilities		
Deposited bank guarantee	272,234	343,794
Other liabilities	70,098	59,682
Non-financial liabilities		
Tax payable	306,788	203,832
Total Other Liabilities	**649,120**	**607,308**

Deposited bank guaranties include amounts deposited by Prime for the issuance of guarantees.

15. SHARE CAPITAL

In 2023 share capital was increased by 2,499,353 GEL (2022: 2,099,819). From the Company's authorized share capital (2,954 ordinary shares with a nominal value of GEL 5,244 each), 15,490,640 GEL (2022: 12,991,287) is fully paid.

Date	Quantity	Total Capital
31.12.2022	2,800	12,991,287
Addition	154	2,499,353
31.12.2023	2,954	15,490,640

For the requirements of regulatory legislation regarding capital refer to Note 16, paragraph of Capital Management.

16. RISK MANAGEMENT

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

Governance framework

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

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

NOTES (CONTINUED)

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

Capital management objectives, policies and approach

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

The capital management objectives are:

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

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

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

Approach to capital management

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

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

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

Capital Management

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

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

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

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

Regulatory Requirements

NOTES (CONTINUED)

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 (Spry, SC), where the terms and notations used have the following meanings:

Spry - Solvency ratio calculated by the premium method;

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

As of 31 December 2023, Regulatory Solvency Margin is 1,950,907 GEL.

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

The Company is in compliance with regulatory capital requirement as required by insurance laws applicable in state of Georgia. Surplus in supervisory capital at 31 December 2023, is 45,371 GEL in solvency requirements and 5,374,860 in minimum capital requirements.

16.1. Insurance risk

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

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

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

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

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

Insurance risk management

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuit of claims, in order to reduce its exposure to unpredictable future

NOTES (CONTINUED)

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.

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

The following tables show the concentration of net insurance contract liabilities by type of contract

2023	Insurance Contract Liability	Re-Insurance Asset	Net
Medical	1,018,026	-	-
CASCO, TPL	882,042	439,435	442,607
MTPL (Compulsory)	795,572	396,356	399,216
Financial risk	107,429	53,521	53,908
Agro	74,016	36,874	37,142
Liability	76,721	38,223	38,498
Container	49,428	24,625	24,803
Cargo	39,193	19,526	19,667
Property	39,876	19,867	20,009
Travel	17,149	8,544	8,605
Impact of discounting	-131,996	-29,638	-102,358
Total	**2,967,456**	**1,007,333**	**942,097**

2022	Insurance Contract Liability	Re-Insurance Asset	Net
Medical	342,544	-	342,544
CASCO, TPL	421,848	65,077	356,771
MTPL (Compulsory)	441,247	68,069	373,178
Financial risk	77,654	11,979	65,675
Agro	65,931	10,171	55,760
Liability	56,263	8,679	47,584
Container	43,328	6,684	36,644
Cargo	31,055	4,791	26,264
Property	25,435	3,924	21,511
Travel	6,048	933	5,115
Impact of discounting	(86,778)	(9,530)	(77,248)
Total	**1,424,575**	**170,777**	**1,253,798**

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

NOTES (CONTINUED)

to ensure that it has appropriate information regarding its claim's exposures. However, given the uncertainty in establishing claims reserve, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a reserve for IBNR and a reserve for reported claims not yet settled.

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

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

The loss ratios for the current and prior year, before and after reinsurance are summarized below by type of risk:

	31 December 2023		31 December 2022	
Type of risk	**Gross loss ratio**	**Net loss ratio**	**Gross loss ratio**	**Net loss ratio**
General insurance	100%	111%	95%	122%

Gross loss ratio is calculated Insurance Service Expenses / Insurance Revenue and Net loss ratio is calculated Insurance Service Expenses + Expenses of reinsurance contracts held / Insurance Revenue + Income from re-insurance contract held.

Based on the simulations performed, the impact on profit of a change of 1% in the loss ratio for both gross and net of reinsurance recoveries would be as follows:

	2023		2022	
	Gross	**Net**	**Gross**	**Net**
Impact of an increase of 1% in loss ratio	459	(16,692)	4,273	(22,984)
Impact of a decrease of 1% in loss ratio	(459)	16,692	(4,273)	22,984

Sensitivity analyse is calculated Insurance service result before reinsurance contracts held * 1%, and Net expense from reinsurance contracts held * 1%.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

NOTES (CONTINUED)

16.2. Financial risks

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

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

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

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

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

	31.12.2023	**31.12.2022**
Insurance contract assets		
Re-Insurance contract assets	1,007,333	170,777
Financial assets		
Other assets	350,236	281,906
Amount due from credit institutions	8,620,264	7,675,481
Cash and cash equivalents	1,216,774	366,856
	11,194,607	**8,495,020**
Insurance contract liabilities		
Insurance contract liabilities	2,967,456	1,424,575
Financial liabilities		
Lease liabilities	115,693	306,626
Other liabilities	649,120	607,308
	3,732,269	**2,338,509**

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

Key areas where the Company is exposed to credit risk are:

NOTES (CONTINUED)

- Insurance contract assets
- other receivables;
- investment securities - debt;
- bank deposits with original maturities of more than three months;
- statutory deposit; and
- cash and cash equivalents

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by Management annually.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit- ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

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

	31.12.2023	**31.12.2022**
Insurance contract assets		
Re-Insurance contract assets	1,007,333	170,777
Financial assets		
Other assets	350,236	281,906
Amount due from credit institutions	8,620,264	7,675,481
Cash and cash equivalents	1,216,774	366,856
	11,194,607	**8,495,020**

NOTES (CONTINUED)

Liquidity risk - maturity analysis

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long- term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarizes the maturity profile of the Company's insurance and financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

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

Liquidity position as at 31 December 2023

31.12.2023	**Up to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Insurance contract assets				
Re-Insurance contract assets	1,008,440	(1,107)	-	**1,007,333**
Financial assets				
Other assets	350,236	-	-	**350,236**
Amount due from credit institutions	4,626,505	3,993,759	-	**8,620,264**
Cash and cash equivalents	1,216,774	-	-	**1,216,774**
	7,201,955	**3,992,652**	**-**	**11,194,607**
Insurance contract liabilities				
Insurance contract liabilities	3,962,522	(310,830)	(684,236)	**2,967,456**
Financial liabilities				
Lease liabilities	115,693	-	-	**115,693**
Other liabilities	649,120	-	-	**649,120**
	4,727,335	**(310,830)**	**(684,236)**	**3,732,269**
Net Position	**2,474,620**	**4,303,482**	**684,236**	**7,462,338**

Liquidity position as at 31 December 2022:

31.12.2022	**Up to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Insurance contract assets				
Re-Insurance contract assets	170,777	-	-	**170,777**
Financial assets				
Other assets	281,906	-	-	**281,906**
Amount due from credit institutions	7,675,481	-	-	**7,675,481**
Cash and cash equivalents	366,856	-	-	**366,856**

NOTES (CONTINUED)

	8,495,020	**-**	**-**	**8,495,020**
Insurance contract liabilities				
Insurance contract liabilities	1,067,617	1,825,422	(1,468,464)	**1,424,575**
Financial liabilities				
Lease liabilities	184,023	122,603	-	**306,626**
Other liabilities	607,308	-	-	**607,308**
	1,858,948	**1,948,025**	**(1,468,464)**	**2,338,509**
Net Position	**6,636,072**	**(1,948,025)**	**1,468,464**	**6,156,511**

At present, the Company expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Company expects the operating activity to generate sufficient cash inflows.

Guarantee contracts are appropriately secured.

Market risk

Market risk is the risk that the fair value or the future cashflows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company's market risks arise from open positions in (a) foreign currencies (b) interest bearing and (c) price risk assets and liabilities, to the extent they are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be acceptable, which are monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The unit linked contracts have not been considered for sensitivity of market risk and as these are merely passed through contracts.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, credit spreads, changes in interest rate and changes in foreign currency rates.

Market risk drivers include equity prices, credit spreads, foreign exchange rates and interest rates. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and bond markets. In addition, the Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Foreign currency risk

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

Financial assets by currency

NOTES (CONTINUED)

31.12.2023

	GEL	USD	EUR	Total
Insurance contract assets				
Re-Insurance contract assets	471,555	535,840	(62)	**1,007,333**
Financial assets				**-**
Other assets	350,236	-	-	**350,236**
Amount due from credit institutions	2,730,368	5,889,896	-	**8,620,264**
Cash and cash equivalents	545,622	671,152	-	**1,216,774**
	4,097,781	**7,096,888**	**(62)**	**11,194,607**
Insurance contract liabilities				
Insurance contract liabilities	4,753,919	(1,762,349)	(24,114)	2,967,456
Financial liabilities				-
Lease liabilities		115,693	-	115,693
Other liabilities	649,120	--	-	649,120
	5,403,039	**(1,646,656)**	**(24,114)**	**3,732,269**
	(1,305,258)	**8,743,544**	**24,052**	

31.12.2022

	GEL	USD	EUR	Total
Insurance contract assets				
Re-Insurance contract assets	180,331	(9,494)	(60)	**170,777**
Financial assets				**-**
Other assets	281,906	-	-	**281,906**
Amount due from credit institutions	270,340	7,405,141	-	**7,675,481**
Cash and cash equivalents	198,537	168,319	-	**366,856**
	931,114	**7,563,966**	**(60)**	**8,495,020**
Insurance contract liabilities				
Insurance contract liabilities	2,660,039	(1,221,167)	(14,297)	1,424,575
Financial liabilities				-
Lease liabilities	-	306,626	-	306,626
Other liabilities	607,308	-	-	607,308
	3,267,347	**(914,541)**	**(14,297)**	**2,338,509**
	(2,336,233)	**8,478,507**	**14,237**	

Sensitivity analysis

A 20% increase / decrease in the exchange rate of GEL/USD would increase / cut profits after tax by 820,770 / (820,770) GEL (2022: GEL 848,800 / (848,800)).

A 10% increase / decrease in the exchange rate of GEL/EUR would increase / cut profits by 4,810 / (4,810) GEL (2022: GEL (2,847 / (2,847)).

Fair value of financial instruments

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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is

NOTES (CONTINUED)

measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. A portfolio of financial assets and liabilities that are not traded in an active market is measured at the fair value using valuation technics. The selected measurement method uses observable market data, minimally based on non-market data and considers all the factors that market participants have taken into consideration when determining price. The best evidence of the fair value of a certain financial instrument at initial recognition is the price of the transaction. the fair value of the consideration paid or received.

If a company decides that the fair value at initial recognition differs from the transaction price and the fair value is not supported by the quoted price on the active markets of the similar assets or liabilities, also, its value is not based on the measurement technics that uses only observable market data, in such cases the financial instruments are initially measured at fair value, adjusted for the difference between this value and the transaction price. Any difference between this value and the initial value obtained through the measurement method will be later recognized in profit or loss during the life of the instrument, but no later than the assessment is fully based on the observable market data or when the transaction is closed.

Fair value measurements are analyzed by level in the fair value hierarchy as follows:

Level 1: are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes instruments that are evaluated using the following data: quoted market prices at active markets for similar financial instruments; Quoted prices for similar instruments that are less active; Or other methods of evaluation, within which all the important data is directly or indirectly observable, due to market data;

Level 3: measurements are valuations not based on solely observable market data. This category includes all the instruments within which the evaluation methods are not based on the observable data and unobservable inputs have a significant impact on the valuation of the instrument. This category includes instruments that are evaluated based on quoted prices for similar instruments within which significant adjustments or assumptions are required to reflect differences between instruments.

The fair value valuation used for financial instruments accounted at amortized cost was based on Level 2 and level 3 hierarchy. The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Amounts due to credit institutions were discounted at the Company's own incremental borrowing rate. The fair value of cash and cash equivalents is estimated based on level 1.

There were no changes in valuation technique for level 2 and level 3 measurements of assets and liabilities not measured at fair values during the year ended 31st December 2023 and 2022.

17. 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);

NOTES (CONTINUED)

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:

Related party transactions were as follows:

	2023	2022
Statement of comprehensive income	**Transactions with related parties**	**Transactions with related parties**
Key management personnel compensation	496,183	433,202
Commission income		
Other*	4,422	570
General and administrative expenses		
Other*	16,773	77,779

18. CONTINGENCY(IES) AND COMMITMENT(S)

As at 31st December 2023 and 2022, 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 611,749 GEL (2022: 716,496 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.

19. EVENTS AFTER REPORTING DATE

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