Financial Statements and Independent Auditor's Report

New Vision Insurance JSC

31 December 2020

Contents

Grant Thornton

Independent auditor's report

შპს გრანთ თორნთონ
ქეთევან წამებულის გამზირი 54
0144, თბილისი, საქართველო

ტ. + 995 322 604 406

Grant Thornton LLC
54 Ketevan Tsamebuli Avenue
0144 Tbilisi, Georgia

T + 995 322 604 406

To the shareholders of New Vision Insurance JSC

Opinion

We have audited the financial statements of New Vision Insurance JSC (the "Company"), which comprise the statement of financial position as of 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Emphasis of matter paragraph

The financial statements for the year ended 2020 were initially issued and approved by the management of the Company on 15 April 2021, at the same date we expressed qualified opinion on those financial statements. The reason for qualification was that the Company had not tested its property and equipment for impairment, at the same time, we were unable to determine the effect of possible impairment of assets on the whole financial statements. Respectively, we were unable to determine whether any adjustments were necessary to the carrying amount of the Company's property and equipment, or to the relevant items in the statement of profit and loss of the year 2020.

After 15 April 2021, i.e. after the issuance of initial financial statements for the year 2020 and of our report on those statements, the Company hired the independent appraiser and conducted the impairment test for its property and equipment. The Company prepared accompanying amended financial statements considering the results of the impairment test, on which we issue this amended auditor's opinion.

The reason for the amendment of previously issued financial statement is described in Note 35.

Management report

Management is responsible for the Management Reporting. The Management Reporting comprises the information about the activities of the Company, risk analysis, future plans and other matters as required by the Law of Georgia on Accounting, Reporting and Auditing.

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

In addition, we are required by the Law of Georgia on Accounting, Reporting and Auditing to express an opinion whether certain parts of the Management Report comply with respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

The Management Reporting has been prepared by the Company only in Georgian language and it is available together with Georgian-language financial statements.

Based on the work performed in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Reporting is prepared in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing and includes all the information required by the Law.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Vakhtang Tsabadze

Managing Partner

7 June 2021

Statement of financial position

In Georgian lari

	Note	As of 31 December 2020*
Assets		
Bank balances	4	490,228
Bank deposits	5	8,269,873
Insurance contract assets	6	1,788,437
Deferred income tax assets	24	129,817
Deferred acquisition costs	7	63,380
Property and equipment	8	5,112,226
Intangible assets		56,357
Other assets	9	183,939
Total assets		16,094,257
Equity		
Share capital	10	12,500,000
Share premium	10	376,457
Accumulated loss		(1,884,087)
		10,992,370
Liabilities		
Insurance contract liabilities	11	2,397,713
Other insurance liabilities	12	407,676
Lease liability	13	588,288
Loans and borrowings	14	502,357
Other liabilities	15	792,218
Provisions for other liabilities and charges	16	413,635
		5,101,887
Total equity and liabilities		16,094,257

*The Company commenced its operations since February 2020.

The financial statements were approved on 7 June 2021 by:

Kakhaber Diasamidze
Director

George Gvetadze
Chief Financial Officer

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 35.

Statement of profit or loss and other comprehensive income

In Georgian lari

	Note	Period ended 31 December 2020*
Insurance revenue	17	2,255,230
Insurance service expenses	18	(1,227,061)
Insurance service result		1,028,169
Investment income	5	345,025
Net insurance and investment result		1,373,194
Other income		987
Employee benefit expenses	19	(1,537,837)
Expected credit loss	20	(135,841)
Provision expenses	16	(413,635)
Other expenses	21	(2,305,585)
Finance costs	22	(67,900)
Foreign exchange gains	23	1,072,713
Loss before income tax		(2,013,904)
		-
Income tax recovery	24	129,817
Loss for the period		(1,884,087)
Other comprehensive income		-
Total comprehensive loss for the period		(1,884,087)

*The Company commenced its operations since February 2020.

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 35.

Statement of changes in equity

In Georgian lari	Share capital	Share premium	Accumulated loss	Total*
Beginning of the period	-	-	-	-
Loss for the period	-	-	(1,884,087)	(1,884,087)
Total comprehensive loss for the period	-	-	(1,884,087)	(1,884,087)
Transactions with owners	12,500,000	376,457	-	12,876,457
as of 31 December 2020	12,500,000	376,457	(1,884,087)	10,992,370

*The Company commenced its operations since February 2020.

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 35.

Statement of cash flows

In Georgian lari	Note	Period ended 31 December 2020*
Cash flows from operating activities		
Receipts from customers		2,673,226
Payments for insurance claims, net of subrogation and recoveries		(904,619)
Payments to employees		(1,474,242)
Other payments		(1,014,963)
Cash flow used in operations		(720,598)
Interest paid	33	(65,543)
Net cash used in operations		(786,141)
Cash flow from investing activities		
Purchase of property and equipment		(186,636)
Purchase of intangible assets		(2,595)
Interest received		309,665
Net cash from investing activities		120,434
Cash flows from financing activities		
Proceeds from issue of shares		7,944,406
Proceeds from borrowings	33	500,000
Repayment of borrowings and leases	33	(88,710)
Net cash from financing activities		8,355,696
Net increase in bank balances		7,689,989
Bank balances at the beginning of the period		-
Foreign exchange effect on cash		1,070,112
Bank balances at the end of the period		8,760,101
		-
Comprising:		
Bank balances	4	490,228
Amounts due from credit institutions	5	8,269,873
Total per the statement of financial position		8,760,101

*The Company commenced its operations since February 2020.

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 35.

Notes to the financial statements

1 Nature of operations and general information

New Vision Insurance (the “Company”) is a Joint Stock Company as it is defined under the Law of Georgia on Entrepreneurs and is engaged in entrepreneurial activities in Georgia. The main activity of the Company is rendering of insurance services for individuals and different entities, including Motor, Health, Agro and Financial Risk and similar insurance services.

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

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

The number of employees of the Company during 2020 were 324 employees.

Business environment

The changes in political and economic environment and the development of the legal, tax and legislative systems in Georgia have continuing nature. The stability and development of the Georgian economy largely depends on these changes. The government has brought a renewed commitment to good governance, including anticorruption efforts, transparency, and accountability.

In March 2020 the World Health Organization has classified the coronavirus (COVID-19), which has exploded in China in December 2019, as pandemic. The coronavirus has already had a significant impact on the global economy and major financial markets.

Continuous measures were introduced by the Government and the National Bank of Georgia to mitigate the impact of the coronavirus on the economy. These measures include, among others, subsidized lending to affected industries and individuals and payment holidays.

The Company’s management considers its current liquidity position to be sufficient for the sustainable functioning. The Company monitors its liquidity position on regular basis and intends to use appropriate liquidity position instruments, if necessary.

These events may have a further significant impact on the Company's future operations and financial stability, the full consequences of which are currently difficult to predict. The future economic and political situation and its impact on the Company's operations may differ from the management's current expectations.

These financial statements do not reflect the potential future impact of the above on the Company's operations.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the assumption that the Company operates on a going concern basis (refer note 26.2).

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost convention with the exception of certain financial instruments that are stated at present discounted value of future cash flows. These financial statements have been prepared as of 31 December 2020 and for the period from 20 February 2020 to 31 December 2020

2.3 Functional and presentation currency

The national currency of Georgia is the Georgian lari (“Georgian lari”), which is the Company’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

These financial statements are presented in Georgian lari (unless otherwise stated), since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Georgian lari has been rounded to the nearest Georgian lari.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 26.1 to the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

2.5 Adoption of new and revised standards

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2020.

The nature and the effect of these changes are disclosed below.

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2020

New standards and amendments described below and applied for the first time in 2020 did not have a material impact on the annual financial statements of the Company:

- *Conceptual Framework for Financial Reporting*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendment to IFRS 9 and IFRS 7)*
- *COVID-19 Rent Related Concessions (Amendments to IFRS 16)*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

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

Management anticipates that all of the relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning on or after the effective date of the pronouncement.

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

- *Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 16, IFRS 4, IFRS 7)*
- *IFRS 17 Insurance contracts*
- *Proceeds before intended use (Amendments to IAS 16)*
- *References to the conceptual framework (Amendments to IFRS 3)*
- *Onerous contracts – costs of fulfilling a contract (Amendments to IAS 37)*

- *Annual improvements to IFRS Standards 2018-2020 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16)*
- *Classification of liabilities as current or non-current (Amendments to IAS 1)*

3 Significant accounting policies

3.1 General conditions and first time adoption of IFRSs

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which were valid as of 31 December 2020.

The Company was established in 2020 and prepared its first financial statements based on IFRSs.

Refer to note 2.5 for standards and interpretations that were issued, but were not yet effective and were not early adopted by the Company.

The significant accounting policies applied for the preparation of the financial statements are presented below.

3.2 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the National Bank of Georgia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the National Bank of Georgia prevailing on the reporting date, which is 3.2766 Georgian lari for 1 US dollar and 4.0233 Georgian lari for 1 euro as of 31 December 2020. Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

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

3.3 Insurance contracts

Classification of contracts

Contracts under which the Company accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance risk is a risk other than financial risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Company to pay significant claims. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire. Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as financial instruments.

Financial guarantee contracts are accounted for as insurance contracts.

Recognition of contracts

Insurance revenue - Premiums

Insurance revenue comprise premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period using the daily pro-rata method.

Policy cancellations

Policies are cancelled if there is objective evidence that the policyholder is not willing or able to continue paying policy premiums. Cancellations therefore affect mostly those policies where policy premiums are paid in instalments over the term of the policy.

Unearned premium reserve

The reserve for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method.

Claims

Net claims incurred comprise claims settled during the financial year together with the movement in the reserve for notified claims. Claims outstanding comprise reserves for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not.

Claims notified are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in external claims handling expenses, legislative changes and past experience and trends. Reserves for claims notified are not discounted.

Deferred acquisition costs (DAC)

Acquisition costs, representing commissions paid to insurance agents and brokers and other costs directly related to acquisition are deferred and amortized over the period in which the related written premiums are earned, to the extent that these costs are recoverable out of future premiums. Deferred acquisition costs are reduced by commissions due on impaired insurance policies related to future periods.

Liability adequacy test

At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related DAC assets for each line of business which are managed together. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses attributable to the unexpired periods of policies in force are used. If a shortfall is identified the related deferred acquisition cost is written down and, if necessary, an additional reserve (unexpired risk reserve) is established. The deficiency is recognised in profit or loss for the year. During 2020 no shortfall was identified and therefore there was no need for additional URR reserve.

Insurance receivables and payables

Receivables from policyholders and agents are financial instruments and are included in insurance receivables and payables, and not in insurance contract reserves. The Company reviews its insurance receivables to assess impairment on a regular basis. If there is an objective evidence of impairment of insurance receivables, the Company reduces the carrying amount of the insurance receivables and recognizes the impairment loss. The Company obtains evidence of impairment of insurance receivables on the same basis as for the impairment of financial assets at amortized cost. Impairment losses are calculated in the same way as they are calculated for financial assets.

3.4 Regress and salvage assets

Some types of insurance contracts allow the Company to sell (usually damaged) property, which was obtained after the claims were paid (recovered property). The Company may also have the right to claim full or partial compensation (subrogation) from a third party.

At initial recognition, the Company considers receivables from subrogation as impaired receivables. For such financial assets, the Company shall determine an effective interest rate adjusted for credit risk and apply it to the amortized cost of the financial asset. The Company reviews past experience and recognizes receivables from subrogation when it can reliably estimate expected cash flows. In estimating cash flows, the Company considers the net cash flows expected from the sale of collateral. Income from subrogation and recovered property is recognized as part of net insurance claims.

3.5 Property and equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Buildings that are leasehold property are also included in property and equipment if they are held under a finance lease. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

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

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

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

3.6 Intangible assets

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

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

3.7 Impairment of property and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

3.8 Leased assets

The Company as a lessee

The Company makes the use of leasing arrangements principally for the provision of the main office space. The rental contracts for offices are typically negotiated for terms of between 4 and 5 years and some of these have extension terms. The Company does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and termination clauses.

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment and lease liabilities have been presented separately.

The Company as a lessor

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

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

3.9 Inventories

Inventories are assets held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Items such as spare parts, stand-by equipment and servicing equipment are also recognized as inventories unless they meet the definition of property and equipment.

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.10 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Classification and initial measurement of financial assets

Except for those insurance receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

  - amortized cost;
  - fair value through profit or loss (FVTPL);
  - fair value through other comprehensive income (FVOCI).

- In the periods presented the Company does not have any financial assets categorized as FVOCI or FVTPL.

The classification is determined by both:

- the Company's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of insurance receivables which is presented within other expenses. A summary of the Company's financial assets by category is given in note 29.2.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company’s cash and cash equivalents, insurance receivables, other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model". Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Insurance receivables

The Company makes use of a simplified approach in accounting for other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of insurance receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 29 (b) for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The Company's financial liabilities include loans and borrowings, other insurance liabilities, other liabilities, finance lease liabilities. A summary of the Company's financial liabilities by category is given in note 29.2.

Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. The difference between fair value and nominal value is recognized in profit or loss, except when the borrowing was received from the owners. In this instance the difference between fair value and nominal value is recognized in equity as additional capital. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

Other payables

Other payables are stated at fair value and subsequently stated at amortized cost.

3.11 Bank balances and deposits

Bank balances comprise cash on bank accounts.

Bank deposits are placed on the Company's bank accounts to maintain capital requirement and to earn finance income.

3.12 Equity

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premium received on issue of share capital. Any transaction costs associated with issuing of shares are deducted from share premium, net of any related income tax benefits.

Accumulated loss include current period loss.

All transactions with owners are recorded separately within equity.

Dividends are recognized as a liability in the period in which they are declared.

3.13 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.14 Income tax

Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates (15%) enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities until 1st January 2023, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available until 1st January 2023 against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Due to the nature of the new taxation system described above, the financial institutions registered in Georgia will not have any differences between the tax bases of assets and their carrying amounts from 1st January 2023 and hence, no deferred income tax assets and liabilities will arise.

3.15 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

- (a) wages, salaries and bonuses;
- (b) paid annual leaves and paid disability leaves;

3.16 Other income

To determine whether to recognize other income, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied

4 Bank balances

The credit ratings of the bank balances were as follows:

In Georgian lari	As of 31 December 2020
BB+	125,054
BB-	365,174
	490,228

5 Bank deposits

In Georgian lari	As of 31 December 2020
JSC PROCREDIT BANK	8,069,873
JSC CREDO BANK	120,000
JSC FINCA BANK	80,000
	8,269,873

Out of total amount of deposit placed at Georgian lari 8,269,873 in banks, Georgian lari 4,200,000 is attributable to the minimum capital requirements set by the Insurance State Supervision Service of Georgia.

The bank deposit balances are neither past due nor impaired. The bank deposits are represented by placements with Georgian commercial banks with a maturity of less than two years and earn an annual interest from 11% to 14.5%.

The credit ratings of the bank deposits were as follows:

In Georgian lari	As of 31 December 2020
BB+	8,069,873
BB-	200,000
	8,269,873

Investment income on the bank deposits were as follows:

In Georgian lari	Period ended 31 December 2020
JSC PROCREDIT BANK	314,886
JSC CREDO BANK	1,266
JSC FINCA BANK	9,529
JSC TBC BANK	17,599
JSC BANK OF GEORGIA	1,745
	345,025

Refer to note 29 (a) for the currencies in which the bank deposits are denominated.

6 Insurance contract assets

In Georgian lari	As of 31 December 2020
Due from policyholders	1,824,025
Allowances for expected credit losses	(35,588)
	1,788,437

Refer to note 29 (a) for the currencies in which the insurance contract assets are denominated.

Refer to note 29 (b) for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

7 Deferred acquisition costs

In Georgian lari	As of 31 December 2020
Expenses deferred	279,773
Amortization of deferred acquisition costs (refer to note 18)	(216,393)
	63,380

8 Property and equipment

In Georgian lari	Land	Buildings	Office equipment	Other	Total
Cost					
Additions	456,457	5,018,423	165,733	33,016	5,673,629
Disposals	-	-	(90)	-	(90)
as of 31 December 2020	456,457	5,018,423	165,643	33,016	5,673,539
Accumulated depreciation and impairment					
Charge for the period	-	(151,772)	(18,703)	(3,291)	(173,766)
Eliminated on disposal	-	-	10	-	10
Impairment		(387,557)	-	-	(387,557)
as of 31 December 2020	-	(539,329)	(18,693)	(3,291)	(561,313)
Carrying amount					
as of 31 December 2020	456,457	4,479,094	146,950	29,725	5,112,226

Depreciation expense at the amount of Georgian lari 173,756 has been charged to other expenses (refer to note 21)

Included in the net carrying amount of property and equipment are right-of-use assets as follows:

In Georgian lari	As of 31 December 2020
Buildings	528,363
	528,363

Property and equipment are under the lien of local tax authority (refer to note 16).

9 Other assets

In Georgian lari	As of 31 December 2020
Financial assets	
Receivables from regression	88,505
Allowances for regression	(44,252)
Other receivables	111,365
Allowances for other financial receivables	(56,001)
	99,617
Non-financial assets	
Advances and prepayments	12,123
Other	72,199
	84,322
Other assets	183,939

All amounts are short-term. The net carrying value of other assets is considered a reasonable approximation of fair value.

All amounts are denominated in Georgian lari.

10 Capital and reserves

10.1 Share capital

Authorized shares	Share capital
	2020
Issued and fully paid	12,500,000

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

10.2 Share premium

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

11 Insurance contract liabilities

Gross technical provisions as of 31 December 2020 comprise the following:

In Georgian lari	As of 31 December 2020
Unearned premiums provision	2,228,391
Reported but not settled claims - RBNS	150,077
Incurred but not reported claims - IBNR	19,245
Total insurance contract liabilities	2,397,713

Provision of unearned premium as of 31 December 2020 comprises the following:

In Georgian lari	As of 31 December 2020
Net written premium during the period	4,483,621
Net earned premium during the period	(2,255,230)
Balance as of 31 December 2020	2,228,391

Provision of losses as of 31 December 2020 comprise the following:

In Georgian lari	As of 31 December 2020
Claims settled, paid	(935,145)
Claims for the period and changes in provision of losses	1,104,467
Balance as of 31 December 2020	169,322

12 Other insurance liabilities

In Georgian lari	As of 31 December 2020
Agents fee	59,369
Deposited amounts(amounts placed for financial risk insurance)	348,307
	407,676

All amounts are denominated in Georgian lari.

13 Leases

Lease liabilities are presented in the statement of financial position as follows:

In Georgian lari	As of 31 December 2020
Current	99,287
Non-current	489,001
	588,288

The Company has leased buildings and a land plot. With the exception of the short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments, which do not depend on an index or a rate (such as lease payments based on a percentage of the Company sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property and equipment (refer to note 8).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized on the statement of financial position:

Right-of-use asset	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payment linked to an index	Number of leases with termination options
Buildings	2	55-60 months	58 months	-	-	-	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

In Georgian lari	Minimum lease payments As of 31 December 2020
Within one year	
Lease payments	168,745
Finance charges	(69,458)
	99,287
In second to fifth years inclusive	
Lease payments	618,623
Finance charges	(129,622)
	489,001
Net present value	588,288

Total cash outflow for leases for the period ended 31 December 2020 was Georgian lari 145,858.

The expense relating to payments not included in the measurement of the lease liability is Georgian lari 19,498.

Refer to note 29 (a) for the currencies in which the leases are denominated.

14 Loans and borrowings

In Georgian lari	As of 31 December 2020
Unsecured current loans and borrowings (related party)	502,357
	502,357

Loans and borrowings mature in 1 year and bear an interest rate of 10% annually.

Loans and borrowings are denominated in Georgian lari.

15 Other liabilities

In Georgian lari	As of 31 December 2020
Financial liabilities	
Trade payables	55,464
Payables to employees	23,504
Other	444
	79,412
Non-financial liabilities	
Taxes and duties payable	712,806
	712,806
Other liabilities	792,218

All amounts are denominated in Georgian lari.

16 Provisions for other liabilities and charges

The Company was inspected by the local tax authority/revenue service during the period. As a result of the inspection the Company was penalized by Georgian lari 1,108,556, out of which the principal amount was Georgian lari 694,921 (refer to note 21) and the amount of the penalties imposed was Georgian lari 413,635.

The Company agreed to the principal amount of charges and appealed the penalty amount to the upper court. The management estimates that this dispute will be successful for the Company; however, it has created a provision equal to the penalty amount in the financial statements.

All assets held by the Company are under the tax lien due to the above-mentioned penalizing.

17 Insurance revenue

In Georgian lari	Period ended 31 December 2020
Gross written premium	4,483,621
Changes in unearned premium reserves	(2,228,391)
	2,255,230

In Georgian lari	
Premium written per product:	Period ended 31 December 2020
Motor insurance	2,276,392
Health insurance	759,162
AGRO insurance	871,371
Financial risk insurance	175,567
Liability insurance	39,877
CARGO insurance	13,099
Accident insurance	2,086
Property insurance	18,229
Travel insurance	77
Motor third party liability insurance	253,544
Other	74,217
Gross insurance premium	4,483,621
Changes in unearned premium reserves	(2,228,391)
Insurance revenue, net	2,255,230

18 Insurance service expenses

In Georgian lari	Period ended 31 December 2020
General insurance claims, paid	(935,145)
Reported but not settled claims - RBNS	(150,077)
Incurred but not reported claims - IBNR	(19,244)
	(1,104,466)
Acquisition costs (refer to note 7)	(216,393)
Claim settlement expenses	(63,489)
Income from regress	157,287
Total Insurance claims expenses	(1,227,061)

19 Employee benefit expenses

In Georgian lari	Period ended 31 December 2020
Employee benefit expenses	1,418,565
Bonuses	119,272
	1,537,837

20 Expected credit losses

In Georgian lari	Period ended 31 December 2020
Allowances for insurance receivables (refer to note 6)	35,588
Allowances for regression (refer to note 9)	44,252
Allowance for other financial receivables (refer to note 9)	56,001
	135,841

21 Other expenses

In Georgian lari	Period ended 31 December 2020
Tax penalties (refer to note 16)	694,921
Impairment of property and equipment	387,557
Depreciation and amortization expenses	184,865
Marketing and advertising expenses	103,277
Communication expenses	48,644
Utility expenses	21,437
Rent expenses	19,498
Land and property taxes	19,199
Membership fees	13,200
Stationary expenses	11,686
Bank fees	11,424
Office supplies	7,423
Fuel expenses	6,046
Business trip expenses	3,813
Security expenses	2,701
Representative expenses	236
Other expenses*	769,658
	2,305,585

*Other expenses include Georgian lari 653,914 which was intended to registration fee to Compulsory Insurance Center TPL.

22 Finance costs

In Georgian lari	Period ended 31 December 2020
Interest expenses for leasing arrangements	57,148
Interest expenses on borrowings	10,752
	67,900

23 Gain from foreign exchange rate differences

In Georgian lari	Period ended 31 December 2020
Financial assets at amortized cost	1,154,027
Financial liabilities measured at amortized cost	(81,314)
	1,072,713

24 Income tax expense

In Georgian lari	Period ended 31 December 2020
Current tax	-
Deferred tax	129,817
	129,817

In Georgian lari	Period ended 31 December 2020
Loss before income tax (under IFRSs)	(1,884,087)
Applicable tax rate	15%
Theoretical income tax	282,613
Expenses not deductible for tax purposes	(152,796)
	129,817

Reconciliation of effective tax rate is as follows:

In Georgian lari	Asset	Liability	Net	(Charged)/ credited to profit or loss
	2020	2020	2020	2020
Property plant and equipment	19,285	-	19,285	19,285
Insurance receivables	5,338	-	5,338	5,338
Other assets	15,038	-	15,038	15,038
Other payable	1,913	-	1,913	1,913
Lease	88,243	-	88,243	88,243
Tax asset/(liabilities)	129,817	-	129,817	129,817
Set off of tax	-	-		
Net tax assets/(liabilities)	129,817	-	129,817	129,817

25 Subsequent events

At the beginning of 2020, the World Health Organisation declared the COVID-19 coronavirus outbreak to be a pandemic. Globally, COVID-19 resulted in disruption in business operations and an increase in economic uncertainty, with more volatile asset prices and currency exchange rates.

This event had a significant impact both on the Company and the economy of Georgia as a whole. By the end of March 2020, when state of emergency was declared in Georgia, the Company managed to commence providing of insurance service.

The Company is still working to organize the working process in such a way as to be able to deal with challenges related to unforeseeable events.

There were no changes in contract terms neither with foreign nor local suppliers. Management positively estimates the market price risks caused by pandemic as insurance service was planned according to the market demand.

Following decisions were made by the Company’s management related to work organization and staffing:

- As the organization with a high social responsibility the Company has decided to maintain all staff and pay for the whole salaries during this period;
- Most of administrative staff worked remotely from home;
- The Company has formed a specialized team to coordinate all issues related to the pandemic;

The Company implemented health and safety measures for all their employees and customers according to recommendations issued by the World Health Organization.

26 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

26.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property and equipment

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Claims liability arising from insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

Estimates have to be made jointly for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. General insurance claims provisions are not discounted for the time value of money.

The ultimate cost of reserves is estimated by using a Chain ladder method. The main assumption underlying this technique is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed monthly development of past months and expected loss ratios.

Allowance for impairment of insurance receivables

The Company regularly reviews its insurance receivables to assess impairment. For accounting purposes, the Company uses expected credit loss model for the recognition of losses on impaired financial assets (refer to note 3.10 for additional information).

Impairment of property and equipment

The Company tests property and equipment on impairment whenever there is any indication that an asset may be impaired, particularly, whether carrying amount of property and equipment exceeds its recoverable amount. A recoverable amount of an asset is defined as higher of its fair value less costs of disposal and its value in use. If carrying amount of property and equipment exceeds its recoverable amount, impairment loss is recognized directly in profit or loss as an expense of the period.

The company tested its property and equipment on impairment and the results are recognized in these financial statements.

Appraisal of property and equipment is carried out based on the valuation report issued by the independent valuator. Determining the recoverable amount of assets requires a variety of assessments, assumptions and professional judgments. Thus, the recoverable amount of property and equipment may be amended due to changes in the factors and assumptions used in impairment process. Respectively, recognized impairment loss may be revised due to changes in used assumptions or other circumstances.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in tax environment.

26.2 Key assumptions concerning the future

Going concern

The Company incurred significant losses in 2020 amounting to Georgian lari 1,884,087. COVID-19 pandemic also had a negative impact on the financial results. This may result in the cash flow problems in the future and significant dependency on the shareholders' funding.

The Company commenced its operations since February 2020. The management considers that the Company needs two or three years to reach a business stability and breakeven.

The company attracted an additional insurance portfolio in the amount of Georgian lari 6,854 thousand prior to issuance of these financial statements.

In addition, the management received an assurance from the beneficial owners that they will directly or indirectly provide the Company with financial support, which may be required to enable the Company to meet its obligations and liabilities as they fall due and to carry on the business without a significant downturn of the Company's operations for a minimum of twelve months from the end of the date of these financial statements. Therefore, the management has prepared these financial statements on a going concern basis of accounting.

COVID-19

There is generally an uncertainty related to the spread of COVID-19 in the future, but the management believes that new vaccine will be available during the next few months, which will help to reduce and finally cope with the COVID-19 spread and that the overall economic activity in the country will return to the normal levels in a reasonably short time.

Considering the above circumstances, the management believes that it is appropriate to prepare these financial statements on the going concern basis, which provides realization of assets and discharge of liabilities in the normal course of business.

27 Insurance risk management

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.

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 is planning to reinsure its portfolio from 2021). 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 primarily uses loss ratio to monitor its insurance risk. Loss ratio is defined as net insurance claims divided by net insurance revenue. The Company's loss ratio calculated on a net basis was as follows:

In Georgian lari	Period ended 31 December 2020
Loss ratio	54%

Key assumptions

Claims provisions are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts, including potential outstanding loss notifications, experience with similar claims and case law, at and after the reporting date.

The Company has used all possible and currently available information to estimate provision for claims reported by policyholders including claims' adjustment expenses according to every class of insurance contract. In addition, larger reported claims are usually separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. The most significant risks arise from changes in loss frequency and loss severity − quantity of claims and average claim amount are key inputs for Motor Insurance reserve estimation.

28 Financial instruments

28.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 3.10.

28.2 Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each category are as follows:

Financial assets

In Georgian lari	As of 31 December 2020
Amortized cost	
Bank balances	490,228
Bank deposits	8,269,873
Insurance contract assets	1,788,437
Other assets	99,617
	10,648,155

Financial liabilities

In Georgian lari	As of 31 December 2020
Amortized cost	
Insurance contract liabilities (excluded UPR)	169,322
Other insurance liabilities	407,676
Other liabilities	79,412
Loans and borrowings	502,357
Leases	588,288
	1,747,055

29 Financial risk management

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below:

Financial risk factors

a) Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk which result from both its operating and investing activities.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Most of the Company's transactions are carried out in Georgian lari. Exposures to currency exchange rates arise from the Company's vehicles insurance, bank deposits and lease liability, which are primarily denominated in US dollars.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Georgian lari at the closing rate:

Item	US dollar
As of 31 December 2020	
Financial assets	
Insurance contract assets	1,355,812
Bank deposits	8,069,873
	9,425,685
Financial liabilities	
Lease liabilities	588,288
	588,288
Net position	8,837,396

The following table details the Company's sensitivity to a 10% increase and decrease in Georgian lari against US dollar. 10% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If Georgian lari had strengthened against US dollar and Euro by 10% then this would have had the following impact:

In Georgian lari	US dollar impact
	2020
Profit or loss	(883,740)

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

Interest rate risk

The Company is not exposed to interest rate risk as borrows funds are at fixed rates.

b) *Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from financial assets, including cash and cash equivalents held at banks, insurance receivables.

The credit risk is managed on a group basis based on the Company's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Company continuously monitors the credit quality of customers. Where available, external credit ratings and/or reports on customers are obtained and used. The Company's policy is to deal only with credit worthy counterparties. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Insurance contract assets

The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all insurance contract assets as these items do not have a significant financing component.

In measuring the expected credit losses, the insurance contract assets have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for sales (over the past 10 months). The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Insurance contract assets are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Company on alternative payment arrangement are considered as indicators of a not reasonable expectation of a recovery.

On the above basis the expected credit loss for insurance receivables as of 31 December 2020 was determined as follows:

31 December 2020	Gross carrying amount	Lifetime expected credit loss
Less than 1 month	1,541,330	592
1 month to 6 months	282,695	34,996
	1,824,025	35,588

c) *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its obligations.

The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

2020	Non-interest bearing	Finance lease liability	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		12.76%	13.57%	
Less than 6 months	248,733	86,175	223,956	558,864
6 months to 1 year	407,676	82,570	263,748	753,994
1-5 years	-	618,622	43,958	662,580
	656,409	787,367	531,662	1,975,438

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and insurance receivables. The Company's cash resources and insurance receivables significantly exceed the current cash outflow requirements. Cash flows from insurance receivables are all contractually due within 12 months.

30 Fair value measurement

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

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

31 Capital risk management

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

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

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

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

Approach to capital management

The Company manages its capital to ensure that it will be able to continue as a going concern and provide adequate return to stakeholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated 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.

Regulatory capital requirements for the insurance companies operating in Georgia are set by the ISSSG and are applied to the insurance companies within the Company solely on a stand-alone basis. Requirements of ISSSG is to maintain a minimum share capital of Georgian lari 4,200 for life insurance, Georgian lari 4,200 for mandatory third party liability insurance, surety bonds and credit liability insurance, Georgian lari 3,400 for other non-life insurance, and Georgian lari 4,200 for reinsurance, of which 100% should be kept as cash at bank or bank deposits. Bank confirmation letters are submitted to ISSSG on a monthly basis in order to prove compliance with the above-mentioned regulatory requirement.

The Company complied with ISSSG requirements as of 31 December 2020.

The capital structure of the Company consists of equity comprising issued capital, share premium, reserves and accumulated profits and debt.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

32 Contingencies

32.1 Insurance

The Company does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Company property or relating to the Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Company's operations and financial position.

32.2 Taxes

The taxation system in Georgia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Georgia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

33 Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

In Georgian lari	Loans and borrowings	Lease liability	Total
Cash-flows:			
Proceeds	500,000	-	500,000
Repayments of principal	-	(88,710)	(88,710)
Interest paid	(8,395)	(57,148)	(65,543)
Non-cash:			
IFRS 16 adjustment		602,428	602,428
Interest accrued	10,752	57,148	67,900
Foreign exchange loss	-	74,570	74,570
Reclassification	-	-	-
As of 31 December 2020	502,357	588,288	1,090,645

34 Related parties

The Company's related parties include its parent, and key management as described below.

34.1 Control relationships

The Company is controlled by LEPL New Vision University, which owns 60% of the Company's shares. The ultimate controlling party of the Company is Davit Kereselidze, who is the chairmen of the academic board of LEPL New Vision University.

34.2 Transactions with related parties

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In Georgian lari

Transactions	Period ended 31 December 2020
Shareholders	
Proceeds from borrowings	500,000
Accrual of interest expenses	10,752
Capital contribution	12,500,000

In Georgian lari

Outstanding balances	As of 31 December 2020
Shareholders	
Borrowings received	502,357

34.3 Transactions with management and close family members

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

In Georgian lari

	Period ended 31 December 2020
Salaries and bonuses	372,768

35 The reason for the amendment of the previously issued financial statements

The financial statements for the year ended 2020 were initially issued and approved by the management of the Company on 15 April 2021, at the same date the auditors expressed qualified opinion on those financial statements. The reason for qualification was that the Company had not tested its property and equipment for impairment, at the same time, we were unable to determine the effect of possible impairment of assets on the whole financial statements. Respectively, we were unable to determine whether any adjustments were necessary to the carrying amount of the Company's property and equipment, or to the relevant items in the statement of profit and loss of the year 2020.

After 15 April 2021, i.e. after the issuance of initial financial statements for the year 2020 and of the auditors' report on those statements, the Company hired the independent appraiser and conducted impairment test for its property and equipment. The Company prepared these amended financial statements considering the results of the impairment test.

The building owned by the Company was impaired as a result of impairment test and the impairment loss constituted Georgian lari 387,557. The impact of impairment is recognized directly in profit or loss (refer to note 8 and note 21). Ultimately, as a result of this change, the carrying amount of property and equipment was decreased in the statement of financial position and increased the accumulated loss, increased expenses reflected in other expenses (note 21) as well.

The Company informed all parties to whom the management had provided the previously issued financial statements that the Company was going to issue amended financial statements. At the date of issuance of the amended financial statements, the management recalled and received signed hard copies of the previously issued financial statements.