Financial Statements and Independent Auditor's Report

New Vision Insurance JSC

31 December 2022

Contents

Grant Thornton

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

Independent auditor's report

To the shareholders of New Vision Insurance JSC

Opinion

We have audited the financial statements of New Vision Insurance JSC (the "Company"), which comprise the statement of financial position as of 31 December 2022, 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for 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.

Management report

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

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.

Key Audit Matters

Written premiums	*Audit procedures*
Gross written premiums are the Company's Primary source of income and comprise amounts received from insurance policies that are effective during the reporting period. In our view, premium recognition is significant to our audit as the Company may inappropriately account for insurance policies, and the fact that nature of the	With respect to Gross Written Premium in respect of various types of insurance, we carried out the following procedures: ► Carried out analytical procedures and recalculated Premiums income for the period. ► Carried out cut-off procedures to ensure that Unearned premium income has not been included in the premium income.

account is significant, connections to other items in financial statements and sensitivity of the item.	► On a sample bases reviewed signed insurance Contracts and policies to ensure that information submitted in premium register is consistent. ► Tested insurance contracts on a sample basis in regard of the proper level of reinsurance. Ensured that reinsurance premiums were deducted from gross premiums ► We assessed the disclosures in the financial statements on premium income.

Insurance Claims	*Audit procedures*
Insurance claim is the significant area of expense for the Company. Total claims incurred include paid claims and claims reported but not settled (RBNS). It's critical for insurance companies to determine the amount of insurance losses and therefore to recognize them correctly. The payment of claims was considered to be one of the areas which required significant auditor attention and was one of the matter of most significance in the financial statements.	With respect to insurance claims in respect of various types of insurance we carried out the following Procedures: ► Obtained the claim register and tested for completeness of claims recorded in the register on a sample basis. ► Performed test of details and analytical review procedures on the outstanding claims. ► Verified the claim paid on sample basis with payment proof and insurance contract. ► For the claims cases which has been reported but not settled we have checked the RBNS Breakdown with the underlying data (Claim number, Insured, line of insurance, amount, accident date, report date, transaction date etc.) ► Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Vakhtang Tsabadze

Managing partner

Registered auditor (Registration N - SARAS-A-774309)

13 April 2023

Statement of financial position

In Georgian lari	Note	As of 31 December 2022	As of 31 December 2021 (Reclassified)
Assets			
Cash and bank balances	4	2,761,374	2,025,739
Bank deposits	5	8,527,752	8,009,017
Insurance and reinsurance receivables	6	2,664,884	3,519,043
Deferred income tax assets	22	-	219,401
Deferred acquisition costs	7	197,066	78,160
Property and equipment	8	4,530,007	6,787,741
Intangible assets		51,364	65,522
Finance lease receivables	23	1,911,013	-
Trade and other assets	9	1,466,188	556,317
Total Assets		**22,109,648**	**21,260,940**
Equity			
Share capital	10	19,000,000	16,750,000
Share premium	10	376,457	376,457
Retained earnings		(5,705,621)	(3,997,940)
Total Equity		**13,670,836**	**13,128,517**
Liabilities			
Insurance contract liabilities	11	6,165,319	5,294,702
Other insurance liabilities	12	423,960	721,994
Finance lease liability	13	1,496,719	1,951,258
Loans and borrowings		-	44,628
Other liabilities	14	352,814	119,841
Total liabilities		**8,438,812**	**8,132,423**
Total equity and liabilities		**22,109,648**	**21,260,940**

The financial statements were approved on 13 April 2023 by:

Zurab Stambolishvili

Executive director

Sophio Abzhandadze

Chief accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 36.

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Zurab Stambolishvili	Sophio Abzhandadze
Executive director	Chief accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 36.

Statement of profit or loss and other comprehensive income

In Georgian lari	Note	Year ended 31 December 2022	Year ended 31 December 2021 (Reclassified)
Insurance revenue	15	15,065,120	17,824,554
Insurance service expenses	16	(10,861,916)	(14,583,391)
Insurance service result		**4,203,204**	**3,241,163**
Investment income	5	965,878	534,464
Net insurance and investment result		**5,169,082**	**3,775,627**
Other income		551,988	328,026
Salaries and employee benefits	17	(2,059,175)	(3,017,122)
Expected credit loss	18	(1,801,567)	(1,757,435)
Provision		-	413,635
Other expenses	19	(1,709,580)	(1,592,496)
Finance costs	20	(232,190)	(229,006)
Foreign exchange gain/(loss)	21	(1,406,838)	(124,666)
Profit/(loss) before income tax		**(1,488,280)**	**(2,203,437)**
Income tax recovery/(expense)	22	(219,401)	89,584
Profit/(loss) for the year		**(1,707,681)**	**(2,113,853)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**(1,707,681)**	**(2,113,853)**

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 11 to 36.

Statement of changes in equity

In Georgian lari	Share capital	Share premium	Retained earnings	Total
Balance as of 1 January 2021	**12,500,000**	**376,457**	**(1,884,087)**	**10,992,370**
Loss for the year	-	-	(2,113,853)	(2,113,853)
Total comprehensive Loss	-	-	(2,113,853)	(2,113,853)
Issue of share capital	4,250,000	-	-	4,250,000
Transactions with shareholders	4,250,000	-	-	4,250,000
Balance as of 31 December 2021	**16,750,000**	**376,457**	**(3,997,940)**	**13,128,517**
Loss for the year	-	-	(1,707,681)	(1,707,681)
Total comprehensive Loss	-	-	(1,707,681)	(1,707,681)
Issue of share capital	2,250,000	-	-	2,250,000
Transactions with shareholders	2,250,000	-	-	2,250,000
Balance as of 31 December 2022	**19,000,000**	**376,457**	**(5,705,621)**	**13,670,836**

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 11 to 36.

Statement of cash flows

In Georgian lari	Note	Year ended 31 December 2022	Year ended 31 December 2022
Cash flow from operating activities			
Receipts from customers		13,100,804	17,134,354
Payments for insurance claims, net of subrogation and recoveries		(11,197,979)	(13,733,296)
Payments to employees		(2,121,538)	(3,075,391)
Other payments		230,635	(2,440,890)
Cash flow used in operations		**11,922**	**(2,115,222)**
Interest paid	32	(204,315)	(229,067)
Net cash used in operations		**(192,393)**	**(2,344,290)**
Cash flow from investing activities			
Purchase of property and equipment		(32,039)	(157,558)
Purchase of intangible assets		-	(1,242)
Interest received		487,994	536,434
Net cash from investing activities		**455,955**	**377,634**
Cash flows from financing activities			
Proceeds from issue of shares		2,250,000	4,250,000
Repayment of borrowings and leases	32	(128,191)	(555,522)
Net cash from financing activities		**2,121,809**	**3,694,478**
Net increase in bank balances		2,385,371	1,727,822
Bank balances at the beginning of the period		10,034,756	8,760,101
Foreign exchange effect on cash		(1,131,001)	(453,167)
Bank balances at the end of the period		**11,289,126**	**10,034,756**
Comprising:			
Bank balances		2,761,374	2,025,739
Bank deposits		8,527,752	8,009,017
Total per the statement of financial position		**11,289,126**	**10,034,756**

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 11 to 36.

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 was founded on February 20, 2020. The main activity of the Company is rendering of insurance services for individuals and different entities, including Motor insurance, Health insurance, Agro insurance, Financial Risk insurance and others.

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

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

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

The number of employees of the Company during 2022 was 77 employees (2021: 177).

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 25.2).

2.2 Basis of measurement

The financial statements have been prepared on an accrual 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.

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 25.1 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 2022.

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 2022

New standards and amendments described below and applied for the first time in 2022 did not have a material impact on the annual financial statements of the Company:

Standard	Title of Standard or Interpretation
IFRS 3	*Conceptual Framework Guidelines (Changes to IFRS 3)*
IAS 16	*Revenue before intended use (Amendments to IAS 16)*
IAS 37	*Unprofitable Contract – Contract Performance Price (Amendments to IAS 37)*
IAS 1, IAS 9, IAS 41, IAS 16 IAS	*IAS 2018-2021 annual improvement (changes to IAS 1, IAS 9, IAS 41, IAS 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 the Bank's financial statements from these Standards and Amendments, they are presented below.

Standard	Title of Standard or Interpretation	Effective for reporting periods beginning on or after
IFRS 17	*Insurance Contracts*	*1 January 2023*
IFRS 12	*Deferred Taxes Related to Assets and Liabilities Arising in a Single Transaction (Amendments to IAS 12)*	*1 January 2023*
IFRS 17	*Initial adoption of IFRS 17 and IFRS 9 – comparative information (Amendments to IFRS 17)*	*1 January 2023*
IAS 8	*Definition of Accounting Estimates (Amendment to IAS 1)*	*1 January 2023*
IAS 1	*Explanation of Accounting Policies (Amendment to IAS 1 and Practice Statement 2)*	*1 January 2023*
IAS 1	*classification of liabilities into current and long-term liabilities (change in IAS 1)*	*1 January 2024*
IAS 16	*Lease Obligations Sale with Leaseback (Amendment to IFRS 16)*	*1 January 2024*
IAS 1	*Non-current Liabilities with Restrictions/Covenants (Amendment to IAS 1)*	*1 January 2024*

IFRS 17 “Insurance Contracts”

In May 2017, the IASB issued IFS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFS 4 Insurance Contracts.

In contrast to the requirements in IFS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts

FRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective approach is mandatory. However, if full retrospective approach is not possible for the insurance contract group, then the enterprise is required to choose either a modified retrospective approach or a fair value method.

IFRS 17 Insurance Contracts introduces an accounting model that measures groups of insurance contracts based on fulfilment cash flows and a contract service margin (CSM). The CSM is determined for groups of insurance contracts. Insurers will need to account for their business performance at a more granular level. It brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer’s financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings. The insurer can choose to present the effect of changes in discount rates and other financial risks in profit or loss or other comprehensive income to reduce volatility. The reinsurance contract held is accounted for separately form the underlying direct contracts. IFRS 17 requires information to be disclosed at a level of granularity that helps users assess the effects of contracts have no financial position, financial performance and cash flow

Currently the Company is in the process of development of IFRS 17 implementation plan.

3 Significant accounting policies

3.1 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 2.7020 Georgian lari for 1 US dollar and 2.8844 Georgian lari for 1 euro as of 31 December 2022 (3.0976 Georgian lari for 1 US dollar and 3.5040 Georgian lari for 1 euro as of 31 December 2021). 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.

3.2 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.

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.

Expected proceeds from subrogation are recognized separately as assets. Recoveries from subrogation are valued using a method similar to the valuation of reported claims.

Adjustments to claims allowances made in prior years are reflected in the financial statements of the period in which the adjustment is made and, if material, separately. The methods used and the predictions made are checked regularly.

Deferred acquisition costs (DAC)

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

Deferred acquisition costs is the costs given to company employees or agents for the writing or renewing of insurance contracts.

Subsequent to initial recognition, DAC is amortized over the period in which the related revenues are earned

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 2022 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 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.

3.3 Insurance and Reinsurance receivables

Insurance and Reinsurance receivables are recognized based upon insurance policy terms and measured at cost. The carrying value of reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with any impairment loss recorded in the statement of profit or loss.

Reinsurance receivables primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

An impairment review is performed on all ceded share of technical provisions when indicator of impairment occurs. Reinsurance receivables are impaired only if there is objective evidence that the Company may not receive all amounts due to it under the terms of the contract and that this can be measured reliably.

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

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

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

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

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

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

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

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 Leased assets

The Company as a lessee

A lease is defined as 'a contract, or part of a contract, that convoys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the company assesses whether he contract meets three key evaluations which are whether:

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Company 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.

The Company as a Sub-lessor

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

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

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

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

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

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

3.8 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 28.2.

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. (IAS 39)

Impairment of financial assets

The requirements of IFRS 9 used more predictive information in the recognition of expected credit losses - the "Expected Credit Loss (ECL) Model". This replaces the model of claims inccured by IAS 39. Instruments covered by the new determination include loans and other debt-type financial assets measured at amortized cost and fair value through other comprehensive income, trade receivables, contractual assets, receivables recognized and measured in accordance with IFRS 15, and loan commitments and certain financial guarantee agreements (to the issuer) that are not measured at fair value through profit or loss.

Credit loss recognition is no longer dependent on the company's first discovery of a credit loss. Instead, the Company considers a broader range of information when assessing credit risk and expected credit losses, such information includes past events, current conditions, valid and reasonable forecasts that affect the expected collectability of the financial asset's future cash flows.

More about this source 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.

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 27.2.

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.

3.9 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.

3.10 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 includes current period profit/loss.

All transactions with owners are recorded separately within equity.

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

3.11 Income tax

Income tax expense combines current and deferred tax. Income tax is recognized in profit or loss unless it relates directly to equity or to items recognized in other comprehensive income.

Current tax

Current tax expense is the expected tax payable on profit before tax for the year, using the tax rates in effect or substantially in effect at the reporting date and adjusting for tax payable in respect of prior years. Current tax payable also includes tax liabilities arising from dividends.

The new system of taxation of companies with the profit tax does not mean exemption from the profit tax, simply the taxation with the profit tax has shifted from the moment of profit receipt to the moment of its distribution, that is, the main tax object has become the distributed profit. According to the Tax Code of Georgia, distributed profits are profits distributed to owners in the form of dividends. However, other types of transactions are also considered distributed profits, for example an international transaction with related parties that is not protected by the arm's length principle and/or a transaction with a tax exempt person is also considered distributed profit for the purposes of income tax declaration. In addition, the tax object includes expenses incurred or other payments that are not related to economic activity, free delivery of goods/services, and representative expenses incurred in excess of a specified amount.

Income tax arising from the payment of dividends is recorded as an expense in the period in which the dividends are declared, regardless of the date or period in which the dividends are actually paid.

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 2024, 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 2024 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 2024 and hence, no deferred income tax assets and liabilities will arise.

3.12 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;

3.13 Other income

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

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

4 Bank balances

Bank balances as at 31 December 2022 and 2021 with respective credit ratings of the banks consist of following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
BB+	660,457	11,648
B+	142,275	502,068
BB-	1,958,642	1,512,023
	2,761,374	**2,025,739**

5 Bank deposits

Bank deposits as at 31 December 2022 and 2021 consist of following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
JSC PROCREDIT BANK	6,654,702	7,629,017
JSC CREDO BANK	1,130,000	180,000
JSC FINCA BANK	-	200,000
JSC LIBERTY BANK	743,050	-
	8,527,752	**8,009,017**

Investment income on the bank deposits for the years ended 31 December 2022 and 2021 is presented as follows:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
JSC PROCREDIT BANK	381,692	387,413
JSC CREDO BANK	52,488	63,647
JSC TBC BANK	27,449	36,984
JSC BANK OF GEORGIA	19,240	18,077
JSC LIBERTY BANK OF GEORGIA	36,988	28,343
	517,857	**534,464**

Investment income from finance lease receivables is presented as follows:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Finance lease receivable	448,021	-
	448,021	-
Total investment income	**965,878**	**534,464**

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

The credit rating for bank deposits as at 31 December 2022 and 2021 is presented as follows:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
BB+	6,654,702	7,629,017
BB-	1,130,000	380,000
B+	743,050	-
	8,527,752	**8,009,017**

6 Insurance contract assets

Insurance contract assets as of December 31 2022 and 2021 consist of following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Due from policyholders	3,267,908	3,756,506
Allowances for expected credit losses	(603,024)	(237,463)
	2,664,884	**3,519,043**

Refer to note 28 (a) for the currencies in which the insurance contract assets are denominated. Refer to note 28 (b) for a detailed analysis of how the impairment requirements are applied.

7 Deferred acquisition costs

Deferred acquisition costs as of December 31 2022 and 2021 consist of following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Opening balance	78,160	63,380
Expenses deferred	642,330	1,018,373
Amortization of deferred acquisition costs	(523,424)	(1,003,593)
Closing balance	**197,066**	**78,160**

8 Property and equipment

In Georgian lari	Land	Buildings	Office equipment	Other	Total
Cost					
As of 1 January 2021	**456,457**	**5,018,423**	**165,643**	**33,016**	**5,673,539**
Additions	-	-	235,535	2,104,899	2,340,434
Disposal	-	(400,624)	-	-	(400,624)
As of 31 December 2021	**456,457**	**4,617,799**	**401,178**	**2,137,915**	**7,613,349**
Additions	-	-	31,504	2,900	34,404
Disposals	-	-	-	-	-
Write-off	-	-	(51,362)	(11,953)	(63,315)
Termination of lease contracts	-	(411,422)	-	-	(411,422)
Reclassification to finance lease receivables (Sublease)	-	(1,836,236)	-	-	(1,836,236)
As of 31 December 2022	**456,457**	**2,370,141**	**381,320**	**2,128,862**	**5,336,780**
Accumulated Depreciation					
As of 1 January 2021	**-**	**(539,329)**	**(18,693)**	**(3,291)**	**(561,313)**
Charge for the period	-	(277,734)	(67,829)	(12,508)	(358,071)
Eliminated on disposal	-	92,519	-	1,257	93,776
As of 31 December 2021	**-**	**(724,544)**	**(86,522)**	**(14,542)**	**(825,608)**
Charge for the period	-	(176,599)	(73,658)	(18,132)	(268,389)
Eliminated on Write-off	-	-	11,466	-	11,466
Eliminated on Termination of lease contracts	-	275,758	-	-	275,758
As of 31 December 2022	**-**	**(625,385)**	**(148,714)**	**(32,674)**	**(806,773)**
Carrying Amount					
As of 31 December 2021	**456,457**	**3,893,255**	**314,656**	**2,123,373**	**6,787,741**
As of 31 December 2022	**456,457**	**1,744,756**	**232,606**	**2,096,188**	**4,530,007**

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

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Depreciation charge	268,389	358,071
Amortisation charge	17,075	16,059
	285,464	**374,130**

On June 1, 2022 company signed sublease agreement for right of use asset, with “Pino Vera” LLC. See note 23.

Right of use assets as of 31 December 2022 and 2021 consists following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Buildings	-	2,068,432
	-	**2,068,432**

9 Other assets

Other assets as of December 31 2022 and 2021 consist of following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Financial assets		
Receivables from regression	3,984,779	1,981,204
Allowances for regression	(2,983,647)	(1,599,812)
Other financial receivables	399,303	134,310
	1,400,435	**515,702**
Non-financial assets		
Tax asset	-	18,211
Other non-financial assets	65,753	22,404
	65,753	40,615
Other assets	**1,466,188**	**556,317**

Other assets are for short-term period. 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

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Share capital	19,000,000	16,750,000

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

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

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

Insurance contract liabilities as of 31 December 2022 and 2021 consist of following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Unearned premiums provision	3,313,110	3,523,425
Reinsurers' share in unearned premiums reserve - UPR	(25,119)	(30,898)
Reported but not settled claims - RBNS	2,679,469	1,657,596
Incurred but not reported claims - IBNR	197,859	144,579
Total insurance contract reserves	**6,165,319**	**5,294,702**

Unearned premium reserves as of 31 December 2022 and 2021 comprises the following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Balance as of 1 January	3,523,425	2,225,107
Net written premium during the period	14,854,805	19,122,872
Net earned premium during the period	(15,065,120)	(17,824,554)
Balance as of 31 December	**3,313,110**	**3,523,425**

Insurance contract liability as of 31 December 2022 and 2021 comprise the following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Balance as of 1 January	1,802,175	169,322
Claims settled, paid	(11,998,552)	(14,048,696)
Claims for the period and changes in provision of losses	13,073,705	15,681,549
Balance as of 31 December	**2,877,328**	**1,802,175**

12 Other insurance liabilities

Other insurance liabilities as of December 31 2022 and 2021 consist of following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Agent fee	65,497	102,624
Deposited amounts (amounts placed for financial risk insurance)	358,463	588,412
Reinsurance payables	-	30,958
	423,960	**721,994**

Other insurance liabilities are denominated in GEL.

13 Leases

Lease liabilities as of December 31 2022 and 2021 consist of following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Current	62,302	102,702
Non-current	1,434,417	1,848,556
	1,496,719	**1,951,258**

The company has leased office buildings, which during 2022 has been leased out by Sublease agreement. The Company replaced right of use asset by Finance lease receivable in the financial statement as of 31 December 2022. (See note 23).

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

Right-of-use asset	Number of right-of-use assets leased	Range of remaining term	Number of leases with options to purchase	Number of leases with variable payment linked to an index	Number of leases with termination options
Buildings	1	101 months	-	-	1

Future lease payments as of December 31, 2022 and 2021 are as follows:

In Georgian lari	Minimum lease payments As of 31 December 2022	Minimum lease payments As of 31 December 2021
Within one year		
Lease payments	229,562	318,889
Finance charges	(167,260)	(216,187)
	62,302	**102,702**
In second to fifth years inclusive		
Lease payments	1,135,056	1,168,715
Finance charges	(537,577)	(621,722)
	597,479	**546,993**
More than five years		
Lease payments	1,007,523	1,703,274
Finance charges	(170,585)	(401,711)
	836,938	**1,301,563**
Net present value	**1,496,719**	**1,951,258**

Total cash flows paid on leases during 2022 amounted to 271,721 GEL (2021: 280,108 GEL). Lease expenses included in the profit and loss statement and not recognized as right-of-use assets amount to 23,800 GEL in 2022 (2021: 21,000 GEL). As of December 31, 2022, the remaining service period under the right-of-use asset is 8 years (2021: 9 years) and the weighted average interest rate is 11.39% (2021: 12.76%).

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

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Depreciation Expense	94,656	197,165
Interest Expense	216,033	182,254
Foreign Exchange gain/(Loss)	(247,759)	(206,303)
Gain/Loss from termination of lease agreement	15,428	-
Total	**78,358**	**173,116**

See Note 28(a) for the Company's exposure to foreign currency risks of leases.

14 Other liabilities

Other liabilities as of 31 December 2022 and 2021 consist of following:

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Financial liabilities		
Trade payables	307,152	73,057
Payables to employees	14,361	46,784
	321,513	**119,841**
Non-financial liabilities		
Taxes and duties payable	31,301	-
Total other liabilities	**352,814**	**119,841**

15 Insurance revenue

Insurance revenue for the year ended 31 December 2022 and 2021 consist of following:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2022
Gross Insurance revenue	15,011,257	19,360,138
Change in unearned premium reserves	210,315	(1,295,034)
	15,221,572	18,065,104

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2022
Motor Insurance	6,403,226	9,830,242
Health Insurance	3,777,918	2,400,218
Agro Insurance	1,598,683	4,828,164
Financial risk Insurance	479,809	510,820
Liability Insurance	41,642	173,892
Travel Insurance	35,019	9,246
Accident Insurance	32,602	41,032
Property Insurance	13,486	28,344
Cargo Insurance	6,506	25,565
Motor Third Party Liability insurance	2,333,863	1,275,349
Other	132,051	-
	14,854,805	**19,122,872**
Changes in unearned premium reserves	210,315	(1,298,318)
Insurance revenue, net	**15,065,120**	**17,824,554**

16 Insurance service expenses

Insurance service expenses for the year ended 31 December 2022 and 2021 consist of following:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Insurance claims, paid	11,998,552	14,048,696
Reported but not settled claims - RBNS	1,021,873	1,507,519
Incurred but not reported claims - IBNR	53,280	124,810
	13,073,705	**15,681,025**
Acquisition costs	523,424	1,003,593
Claim settlement expenses	96,562	26,644
Income from regress	(2,831,775)	(2,127,871)
Insurance claims incurred, net	**10,861,916**	**14,583,391**

17 Employee benefit expenses

Employee benefit expenses for the year ending December 31 2022 and 2021 consist of following:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Employee benefit expenses	2,024,298	2,834,547
Bonuses	34,877	182,575
	2,059,175	**3,017,122**

18 Expected credit losses

Expected credit losses for the years ended 31 December 2022 and 2021 consist of following:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Allowances for insurance receivables	365,561	201,875
Allowances for regression	1,383,835	1,555,560
Allowance for other financial receivables	52,171	-
	1,801,567	**1,757,435**

19 Other expenses

Other expenses for the years ended 31 December 2022 and 2021 consist of following:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Depreciation and amortization expenses	285,464	374,130
Membership fees	204,544	260,530
Utility expenses	88,795	90,028
Communication expenses	65,950	86,871
Land and Property taxes	41,808	42,077
Office supplies	24,376	36,724
Rent expenses	23,800	21,000
Security expenses	16,842	15,777
Audit fee	15,732	9,930
Repair and maintenance expenses	13,364	11,369
Marketing and advertising expenses	12,084	156,347
Business trip expenses	9,367	85,055
Printing expenses	7,682	22,759
Bank fees	6,663	7,045
Representative expenses	872	4,236
Other expenses	892,237	368,618
	1,709,580	**1,592,496**

20 Finance costs

Financial costs for the year ended 31 December 2022 and 2021 consist of following:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Interest expenses for leasing arrangements	216,033	182,254
Interest expenses on borrowings	16,157	46,752
	232,190	**229,006**

21 Foreign exchange gain/(loss)

Foreign exchange gains/(loss) for the years ended 31 December 2022 and 2021 Consist of following:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Gain from the foreign exchange rate differences	**2,454,615**	**1,207,641**
Bank deposits	1,706,828	820,878
Finance lease receivables	335,364	-
Insurance contract assets	333,132	157,371
Bank balances	75,529	225,723
Other assets	3,019	3,483
Other liabilities	743	186
Loss from the foreign exchange rate differences	**(1,047,777)**	**(1,082,975)**

Bank deposits	(533,903)	(575,202)
Finance lease liability	(247,759)	(206,303)
Insurance contract assets	(132,290)	(243,939)
Finance lease receivables	(100,597)	-
Bank balances	(33,151)	(53,069)
Other assets	(77)	(4,462)
Net foreign exchange gain / (loss)	**1,406,838**	**124,666**

22 Income tax recovery/(expense)

Income tax recovery/(expense) for the years ended 31 December 2022 and 2021 consist of following:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Current tax	-	-
Change in Deferred tax	(219,401)	89,584
	(219,401)	**89,584**

Reconciliation of effective tax rate is for 2021 as follows:

In Georgian lari	Asset	Liability	Net	(Charged)/ credited to profit or loss
	2021	2021	2021	2021
Property plant and equipment	-	(78,665)	(78,665)	(97,950)
Insurance receivables	35,619	-	35,619	30,281
Other assets	239,972	-	239,972	224,934
Other payable	22,475	-	22,475	20,562
Lease	-	-	-	(88,243)
Tax asset/(liabilities)	**298,066**	**(78,665)**	**219,401**	**89,584**

In 2022, the company has written off a recognized deferred income tax asset. The management of the company does not expect to receive sufficient taxable profit in the coming year (Prior the date of the amendments in tax legislation) to cover a recognized deferred income tax asset.

23 Finance Lease Receivables

Finance lease receivables as of December 31 2022 and 2021 consist of following:

In Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Current	128,957	-
Non-Current	1,782,056	-
	1,911,013	**-**

On June 1, 2022 Company signed sublease agreement with Pino Vera LLC. Subject of Sublease is the land and buildings located in Tbilisi, Qumchishvili str. #8/3.

The period of Sublease is for 9 years period, till 1 June 2031. Investment income on the finance lease receivable in 2022 was GEL 448,021. Ref to Note 5.

24 Subsequent events

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

25 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.

25.1 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.

Insurance contract liability

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 3.8 for additional information).

25.2 Key assumptions concerning the future

Going concern

The company started operational activities from February 2020. The management believes that the company needs 2-3 years to achieve business stabilization. The company reported a loss at the end of 2022, However, this mainly influenced by foreign exchange loss due from fluctuation exchange rates.

In 2022, the share capital has been increased, in the form of cash contribution from the shareholders. See note 10.

The company also received a letter from the shareholders that, if necessary, the shareholder will finance the company by providing a loan or adding additional funds to the capital.

26 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 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 2022	Period ended 31 December 2021
Loss ratio	71%	81%

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.

27 Financial instruments

27.1 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 3.8.

27.2 Categories of financial instruments

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

Financial liabilities

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Bank balances	2,761,374	2,025,739
Bank deposits	8,527,752	8,009,017
Insurance contract assets	2,664,884	3,519,043
Other assets	1,400,435	515,702
	15,354,445	**14,069,501**

Financial liabilities

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Insurance contract liabilities	2,877,328	1,802,175
Other insurance liabilities	423,960	691,036
Other liabilities	321,513	119,841
Loans and borrowings	-	44,628
Leases	1,496,719	1,951,258
	5,119,520	**4,608,938**

28 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:

In Georgian lari	USD	
	As of 31 December 2022	As of 31 December 2021
Financial assets		
Insurance contract assets	793,813	1,006,015
Finance lease receivables	1,911,013	-
Bank deposits	7,448,847	7,629,017
	10,153,673	**8,635,032**
Financial liabilities		
Lease liability	1,496,719	1,951,258
	1,496,719	1,951,258
Net position	**8,656,954**	**6,683,774**

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

If Georgian lari had strengthened against US Dollar then this would have had the following impact:

In Georgian lari	US dollar impact 2022	US dollar impact 2021
Profit or loss	1,298,543	1,002,566

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.

Insurance contract assets are written off (i.e. derecognized) when there is no reasonable expectation of recovery.

On the above basis the expected credit loss for insurance receivables as of 31 December 2022 and 2021 was determined as follows:

31 December 2022	Gross carrying amount	Lifetime expected credit loss
Less than 1 month	413,673	(295,818)
1 month to 6 months	2,854,235	(307,206)
	3,267,908	**(603,024)**

31 December 2021	Gross carrying amount	Lifetime expected credit loss
Less than 1 month	296,658	(148,329)
1 month to 6 months	3,459,848	(89,134)
	3,756,506	**(237,463)**

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.

31 December 2022	Non-interest bearing	Finance lease liability	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		11.39%		
Less than 6 months	2,852,209	158,553	-	3,010,762
6 months to 1 year	423,960	158,553	-	582,513
1-5 years	-	1,299,878	-	1,299,878
More than 5 years	-	1,007,522	-	1,007,522
	3,276,169	2,624,506	-	5,900,675

31 December 2021	Non-interest bearing	Finance lease liability	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		12.76%	13.57%	
Less than 6 months	1,771,277	159,441	44,628	1,975,346
6 months to 1 year	721,994	159,448	-	881,442
1-5 years	-	1,168,715	-	1,168,715
More than 5 years	-	1,703,274	-	1,703,274
	2,493,271	3,190,878	44,628	5,728,777

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.

29 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).

30 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 manage to optimize its capital structure and sources in order to continuously maximize profits for shareholders and policyholders.

The company's method of capital management involves the coordinated management of assets, liabilities and risks, regularly assessing the difference between the declared and required capital levels and taking appropriate measures to influence the capital position of the company.

Regulatory requirements

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

According to the ISSSG directive Ne27, issued on 25 December 2017, the minimum capital from 31 December 2018 throughout the period should be not less than GEL 4.200 (in thousands) and the Company should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances. Order of the Head of the State Insurance Supervision Service of Georgia According to No45, the minimum amount of own capital at all stages of the insurance activity must be a) Life insurance: 7,200 GEL - from December 31, 2021; B) Insurance (non-life) except for compulsory liability insurance, liability insurance and credit liability insurance: GEL 4,800 - from 31 December 2021, c) Insurance (nor-life) - compulsory liability insurance, liability insurance and liability insurance Including: 7,200 GEL - from December 31, 2021 and d) Reinsurance: 7,200 GEL - from 31 December 2021, The amount should be placed in the form of cash, other cash equivalents and cash placed in banks.

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

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

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

The Regulatory Capital is determined based on the IFRS equity, adjusted for, for example, investments in subsidiaries and associates, unsecured loans and borrowings etc. as prescribed by the ISSSG directive Ne16.

As of 31 December 2022 and 2021 these financial statements were authorized for issue, the Company was in compliance with the level of Regulatory Capital requirements.

31 Contingencies

31.1 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.

31.2 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.

32 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
As of January 2021	502,357	588,288	1,090,645
Cash-flows:			
Proceeds	-	-	-
Repayments of principal	(472,840)	(82,682)	(555,522)
Interest paid	(31,641)	(197,426)	(229,067)
Non-cash:			
IFRS 16 adjustment	-	2,040,112	2,040,112
Interest accrued	46,752	182,254	229,006
Foreign exchange gain/loss	-	(206,303)	(206,303)
Reclassification	-	(372,985)	(372,985)
As of 31 December 2021	**44,628**	**1,951,258**	**1,995,886**
Cash-flows:			
Proceeds	-	-	-
Repayments of principal	(43,595)	(84,596)	(128,191)
Interest paid	(17,190)	(187,125)	(204,315)
Non-cash:			
IFRS 16 adjustment	-	-	-
Interest accrued	16,157	216,033	232,190
Foreign exchange gain/loss	-	(247,759)	(247,759)
Termination of lease agreement	-	(151,092)	(151,092)
As of 31 December 2022	**-**	**1,496,719**	**1,496,719**

33 Related parties

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

33.1 Control relationships

The Company is controlled by LEPL New Vision University. The ultimate controlling party of the Company is Davit Kereselidze, who is the chairmen of the academic board of LEPL New Vision University.

33.2 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 2022	Period ended 31 December 2021
Shareholders		
Accrual of interest expenses	16,157	46,752
Capital contribution	2,250,000	4,250,000
Repayment of principal and interest of loan	60,785	504,481

In Georgian lari Outstanding balances	As of 31 December 2022	As of 31 December 2021
Shareholders		
Borrowings received	-	44,628
	-	44,628

33.3 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 2021	Period ended 31 December 2020
Salaries and bonuses	258,152	459,073

34 Reclassification of comparative Profit or loss and other comprehensive income

During the preparation of the financial statements for the year ended 31 December 2021, management identified classification error in the insurance revenue, which included “Income from the penalties”. The company corrected comparative information in the statement of profit and loss and other comprehensive income and reclassified “Income from penalties” with amount of GEL 240,550 from insurance revenue to other income caption.