Financial Statements and Independent Auditor's Report

Green Insurance Georgia JSC

31 December 2022

Content

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Independent auditor's report

To the shareholder's of Green Insurance Georgia JSC

Opinion

We have audited the financial statements of Green Insurance Georgia 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these 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 account is significant, connections to other items in financial statements and sensitivity of the item.	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. ► 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 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

For and on behalf of Grant Thornton LLC

Managing Partner

Register Auditor (Registration N-SARAS-A-774309)

Tbilisi, Georgia

31 March 2023

"გრანთ თორნთონ" * "GRANT THORNTON" LLC * 200136600 * შპს

Grant Thornton

Statement of financial position

In thousand Georgian lari	Note	As of 31 December 2022	As of 31 December 2021
Assets			
Cash and cash equivalents	4	2,675	1,507
Amounts due from credit institutions	5	11,269	11,359
Insurance and reinsurance receivables	6	567	806
Reinsurance assets	7	332	178
Tax advances		133	261
Prepayment		-	24
Receivable from regress		19	15
Deferred acquisition costs		106	153
Deferred tax assets		18	2
Property, Plant, and equipment		21	23
Intangible assets		28	47
Right-of-use asset	8	118	101
		15,286	**14,476**
Equity			
Share capital	9	10,051	10,051
Share premium	9	51	51
Retained earnings		2,345	2,577
		12,447	12,679
Liabilities			
Insurance contracts liabilities	10	1,308	959
Other insurance liabilities	11	221	80
Lease liabilities	12	120	102
Tax liabilities		-	-
Accounts payable	13	1,190	656
		2,839	1,797
Total equity and liabilities		**15,286**	**14,476**

The financial statements were approved on 31 March 2023 by:

Eka Tsenteradze
General director

Levan Eliauri
Financial director

გრინ დაზღვევა
საქართველო
JSC. GREEN INSURANCE GEORGIA
404990435

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 33

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Eka Tsenteradze	Levan Eliauri
General director	Financial director

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 33

Statement of profit or loss and other comprehensive income

In thousand Georgian lari	Note	Year ended 31 December 2022	Year ended 31 December 2021
Revenue			
Gross premiums		3,730	3,055
Premiums ceded to reinsurers		(552)	(372)
Net insurance revenue		**3,178**	**2,683**
Change in unearned premium provision, Gross		(17)	(351)
Change in unearned premium provision, reinsurers share		154	163
Net earned premium	14	**3,315**	**2,495**
Claims paid and related expenses	15	(701)	(358)
Reinsurers share in claims paid		138	6
Net Change in insurance contracts liabilities		(332)	(13)
Net claims		**(895)**	**(365)**
Income received by regression	16	206	77
Acquisition costs, net of reinsurance	17	(190)	(60)
Insurance activity result		**2,436**	**2,147**
Interest income	18	454	591
Interest expense		(6)	(3)
Other income		3	8
General and administrative expenses	19	(1,535)	(1,305)
Other expenses		(15)	(10)
Net foreign exchange gain/(loss)	20	(1,585)	(568)
Profit before tax		**(248)**	**860**
Income tax recovery/(expense)	21	16	(137)
Net profit/(loss) for the year		**(232)**	**723**
Other comprehensive income/(loss) for the year, net of income tax		-	-
Total comprehensive income/(loss) for the year		**(232)**	**723**

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 33.

Statement of changes in equity

In thousand Georgian lari	Share capital	Additional paid-in capital	Retained earnings	Total Equity
Balance as of 1 January 2021	**10,000**	**-**	**1,854**	**11,854**
Profit for the year	-	-	723	723
Total comprehensive income	*-*	*-*	*723*	*723*
Issue of share capital	51	51	-	102
Transactions with shareholders	*51*	*51*	*-*	*102*
Balance as of 31 December 2021	**10,051**	**51**	**2,577**	**12,679**
Loss for the year	-	-	(232)	(232)
Total comprehensive loss	*-*	*-*	*(232)*	*(232)*
Balance as of 31 December 2022	**10,051**	**51**	**2,345**	**12,447**

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 33.

Statement of cash flows

In thousand Georgian lari	Note	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from operating activities			
Insurance premiums		3,562	2,440
Regress received		34	69
Other operating income		624	60
Insurance claims paid		(443)	(239)
Other insurance liabilities covered		(218)	(257)
Acquisition costs paid		(304)	(68)
Salaries and benefits paid		(615)	(639)
Operating taxes paid		(97)	(609)
Administrative and other expenses paid		(290)	(334)
Interest received		368	673
Net cash flows from operating activities		2,621	1,096
Cash flow from investing activities			
Placements of bank deposits		(11,734)	(1,332)
Withdrawals of bank deposits		10,331	1,140
Purchase of intangible assets		-	-
Purchase of Property, Plant, and equipment		(4)	(1)
Proceeds from sale of property, plant and equipment		-	-
Net cash (used in) / from investing activities		(1,407)	(193)
Cash flow from financing activities			
Increase in share capital		-	102
Payment lease liability	12	(65)	(60)
Net cash used in financing activities		(65)	42
Exchange rate difference effect on cash and cash equivalents	20	19	(15)
Net change in cash and cash equivalents		1,149	945
Cash and cash equivalents at the beginning of the year		1,507	577
Cash and cash equivalents at the end of the year		2,675	1,507

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 33.

Notes to the financial statements

1 Nature of operations and general information

Green Insurance Georgia JSC (the “Company”), was founded and registered in tax authority on May 13, 2013. The company carries out insurance activity and provides motor own damage insurance, accident insurance, property insurance, liability and other types of insurance.

On February 27, 2020, the company changed its name to JSC Kamara International Insurance Company and JSC Green Insurance continues to operate on behalf of Georgia. The company is a joint stock company, until December 7, 2015 it was a limited liability company. The company operates in accordance with the legislation of Georgia. The legal and factual address of the company is Ana Kalandadze Street # 4, Tbilisi, Georgia.

As of December 31, 2022, the number of shares listed by classes is as follows: Class A - 4,350,000 pieces, Class AA - 1,650,000 pieces, Class B - 4,051,059 pieces. The nominal value of all classes of shares is 1 (one) GEL.

As of December 31, 2022, the owners of A and AA class shares of the company were: JSC Metro Avrasya Investment Georgia - 50% and New Investment Opportunities Ltd - 50%, and the owners of B class shares: New Investment Opportunities LLC – 49.369%, JSC Metro Avrasya Investment – 43.692%, JSC Metro Atlas Georgia - 4.443%, JSC Metro Construction - 2.468% and other owners - 0.028%.

The insurance license was given to the Organization on October 11, 2013, license certificate #NL013, issued by LEPL Insurance State Supervision Service of Georgia. In accordance with Order №05/4 of the Head of Insurance State Supervision Service of Georgia the company has been granted life insurance license on 2 November 2020. The governing body of the Company is the supervisory board and the general assembly. Day to day activities of the Company is managed by general director of the Company. As at the years end 2022 and 2021 general director of the company is Eka Tsenteradze.

The ultimate controlling party of the company is Ayten Ozturk Unal, Turkish Citizen.

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.

2.2 Basis of measurement

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

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 thousand 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 thousand Georgian lari has been rounded to the nearest thousand.

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 22 to the financial statements.

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.

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	*References to the conceptual framework (Amendments to IFRS 3)*
IAS 16	*Proceeds before intended use (Amendments to IAS 16)*
IAS 37	*Onerous contracts – costs of fulfilling a contract (Amendments to IAS 37)*
IFRS 1, IFRS 9, IAS 41, IFRS 16	*Annual improvements to IFRS Standards 2018-2021 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, 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 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 Company’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	*Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9* *(Amendments to IFRS 4)*	*1 January 2023*
IFRS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*	*1 January 2023*
IFRS 17	*Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)*	*1 January 2023*
IAS 8	*Definition of Accounting Estimates (Amendments to IAS 8)*	*1 January 2023*

IAS 1	*Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)*	*1 January 2023*
IAS 1	*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*	*1 January 2024*
IAS 16	*Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*	*1 January 2024*
IAS 1	*Non-current Liabilities with Covenants (Amendments 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.

IFRS 9 "Financial instruments"

IFRS 9 "Financial Instruments " In July 2014, the IASB issued the final version of IFS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The company has decided to defer the application of IFRS 9 until the earlier of the effective date of the new insurance contracts standard (IFRS 17) of 1 January 2023, applying the temporary exemption from applying IFRS 9 as introduced by the amendments to IFRS 4 Applying IFS 9 Financial Instruments with IFRS 4 Insurance Contracts. In September 2016, the IASB issued amendments to IFS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFS 4 notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 (the "deferral approach'). At its meeting after in January 2018, the IASB tentatively decided to extend the use of the deferral approach to IFS 9 for a further year, so that the eligible entities would only be required to apply IFS 9 for annual periods beginning on or after 1 January 2023 at the latest. An entity may apply the temporary exemption from IFRS 9 if:

(i) it has not previously applied any version of IFRS 9 before and except for requirements relating to the presentation of income or loss on financial liabilities that the entity, in its sole discretion, has classified as measured at fair value through profit or loss; And

(in) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying IRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

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 (31 December 2021: 3.0976 Georgian lari for 1 US dollar and 3.5040 Georgian lari for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

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

3.2 Insurance contracts

Insurance contracts are those contracts that carry significant insurance risk at the time of signing, or those contracts that contain, at the time of signing, a scenario of commercial content in which insurance risk can be significant. A significant amount of insurance risk depends on both the probability of the insured event occurring and the extent of its possible impact.

Once a contract falls under the category of insurance contracts, it remains an insurance contract for the remaining period, even if the insurance risk is substantially reduced during this time unless all rights or obligations are fulfilled, or their term expires.

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 insurance receivables is reviewed for individual and collective balances 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, considering 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 are presented on a gross basis.

An impairment review is performed on all ceded share of technical provisions when a 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 Insurance Contract liabilities

Insurance contract liabilities include the outstanding claims provision and the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported (RBNS) or not (IBNR), together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of this cannot be known with certainty at the reporting date. IBNR is calculated at the reporting date using past statistics.

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

Insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. The liability is calculated at the reporting date using a range of standard claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged, or is cancelled.

The reserve is recognized upon the entry into force of the contract and the accrual of the premium and is recorded as income from the premium during the contract period, in accordance with the insurance scheme of the contract. The carrying amount of the unearned premium on active policies for each reporting date is calculated based on the insurance period and the time remaining before the expiry of each insurance policy. The Company reviews inexhaustible risk based on the past operations of individual business directions to determine the overall change in expected requirements. The difference between the unearned premium reserve, the loss reserve and the expected insurance claims is recorded in the income statement.

3.5 Liability adequacy test

At each reporting date, a liability adequacy test is performed, to ensure whether expected claims exceed unearned premium (Less Deferred acquisition cost).

If a shortfall is identified the related deferred acquisition cost is written down and, if necessary, an additional provision is established. The deficiency is recognised in profit or loss for the year.

3.6 Deferred acquisition costs

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.

3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and bank deposits that mature within three months from the date of origination and are free from contractual encumbrances.

3.8 Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus attributable transaction costs. The Company determines the classification of its financial assets upon initial recognition.

3.9 Regress and receivables

Regress and other receivables are recognized at the time when the claim is paid and company has the right to receive regress. Regress and other receivables are recognized at their original invoiced value, Where the time value of money is material, receivables are carried at amortized cost.

Regress and other receivables is reviewed for individual and collective balances 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.

3.10 Offsetting

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

3.11 Allowances for impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognized in the statement of profit or loss and other comprehensive income.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the foreclosure is probable.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of profit or loss and other comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. When an asset is uncollectible, it is written off against the related allowance for impairment. Such assets are written off after all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the statement of profit or loss and other comprehensive income. (Profit or Loss)

3.12 Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

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

3.13 Leases

The Company as a lessee

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

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

3.14 Income tax

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

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that the Company considers that it is probable (i.e., more likely than not) that there will be sufficient taxable profits available for the asset to be utilized within the same tax jurisdiction. Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity respectively. Income tax rate is 15%.

3.15 Capital

Share capital

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

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

Transactions with owners presented separately in capital.

3.16 Income and expense recognition

Gross premiums and provision for unearned premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods, Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Premiums ceded to reinsurer and unearned premiums reserve, reinsurer's share

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

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

Insurance claims

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

3.17 Impairment of non-financial assets

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

3.18 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.

3.19 Amounts due from credit institutions

Amounts due from the credit institutions include funds placed in bank accounts from which the company receives interest income.

4 Cash and cash equivalents

Cash and cash equivalents for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	As of 31 December 2022	As of 31 December 2021
Cash at bank in foreign currency	37	444
Cash at bank in national currency	2,638	1,063
	2,675	1,507

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

5 Amounts due from credit institutions

Amounts due from credit institutions for the year ended December 31, 2022 is presented as follows:

In thousand Georgian lari	Deposit	Interest	Total
Deposits In USD	9,841	66	9,907
Deposits in GEL	1,337	25	1,362
	11,178	91	11,269

Amounts due from credit institutions for the year ended December 31, 2021 is presented as follows:

In thousand Georgian lari	Deposit	Interest	Total
Deposits In USD	11,229	91	11,320
Deposits in GEL	36	3	39
	11,265	94	11,359

Bank deposits are presented in short-term (from three months to one year) and medium-term placements in Georgian banks, with an annual interest rate of 2.2% to 13% (2021: from 3% to 12%). Information on the amount of accrued interest is provided in Note 18. Funds placed in banks are classified as non-risky, given the fact that the banks where the company has deposits are trustworthy.

6 Insurance and reinsurance receivables

Insurance and reinsurance receivables for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	As of 31 December 2022	As of 31 December 2021
Insurance receivable in USD	270	498
Insurance receivable in GEL	247	309
Insurance receivable in EUR	4	8
Reinsurance receivables	58	14
Allowance for impairment	(12)	(23)
	567	806

Analysis of movement in allowance for impairment for insurance receivable:

	As of 31 December 2022	As of 31 December 2021
Balance at the beginning of the year	23	2
Net charge for the year	(11)	21
Balance at the end of the year	12	23

7 Reinsurance assets

Reinsurance assets for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	As of 31 December 2022	As of 31 December 2021
Provision for unearned premiums-reinsurance	332	178
	332	178

Movement in provision for unearned premiums-reinsurance

In thousand Georgian lari	As of 31 December 2022	As of 31 December 2021
Balance at 1 January	178	14
Written premiums ceded to reinsurers during the year	552	372
Premiums ceded to reinsurers incurred during the year	(398)	(208)
Balance at 31 December	332	178

8 Right of use asset

Right of use asset for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	Building
as of 1 January 2021	190
Additions	-
Disposals	-
Modification adjustment on IFRS 16	115
as of 31 December 2021	305
Additions	-
Disposals	-
Modification adjustment on IFRS 16	77
As of 31 December 2022	382
Accumulated depreciation and impairment	
as of 1 January 2021	(146)
Charge for the year	(58)
Eliminated on disposal	-
as of 31 December 2021	(204)
Charge for the year	(60)
Eliminated on disposal	-
As of 31 December 2022	(264)
Carrying amount	
as of 31 December 2021	101
As of 31 December 2022	118

9 Share capital

As of December 31, 2022, the Share Capital consists of 4,350,000 shares of Class A (total authorized amount 4,350,000 shares), 1,650,000 shares of Class AA (out of which total authorized amount 1,650,000 shares) and 4,051,059 shares of Class B (total authorized shares 9,000,000). The face value of each is 1 (one) GEL (amount is not given in thousands).

Class A 1 share provides 1 vote. 1 AA Class share provides 15 votes. Class B 1 share provides 1 vote; however, the Class B shareholder does not participate in the process of electing, challenging/dismissing a member of the Supervisory Board.

According to the minutes of the Extraordinary Shareholders Meeting of February 27, 2020, the retained earnings of GEL 2,359 were converted into 2,359,000 shares with a par value of GEL 1 (not given in thousands). These new shares were distributed to the following owners: JSC Metro Avrasya Investment Georgia - 825,000 shares of A class, 354,500 shares of B class and New Investment Opportunities LLC 825,000 shares of AA class, 354,500 shares of B class.

As of December 31, 2022, the owners of the Company's Class A and AA shares were: JSC Metro Avrasya Investment Georgia - 2,175,000 Class A and 825,000 class AA (50%) and New Investment Opportunities LLC (50%) – 2,175,000 Class A and 825,000 AA Class (50%), Class B shareholders: New Investment Opportunities LLC - 2,000,000 shares (49.369%), JSC Metro Avrasya Investment Georgia - 1,770,000 shares (43.692%), JSC Metro Atlas Georgia - 180,000 shares (4.443%), JSC Metro Construction - 100,000 shares (2.468%) and other owners (0.028%).

In 2021, the company has authorized 5,000,000 shares, of which 51,059 share sold. The nominal value of each is 1(one) GEL and selling price is 2 (two) GEL.

In 2022, the company has not authorized or sold any of its shares.

Retained earnings are the portion of net income remaining owned by the Company that is not distributed. The company has not announced any dividends for 2022 and 2021.

10 Insurance contracts liabilities

Insurance contracts liabilities for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	Unearned premium provision	Reported but not settled	Incurred but not reported	Total insurance contract liabilities
As of 31 December 2020	545	49	1	595
Increase / (decrease)	351	13	-	364
As of 31 December 2021	896	62	1	959
Increase / (decrease)	17	327	5	349
As of 31 December 2022	913	389	6	1,308

11 Other insurance liabilities

Other insurance liabilities for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	As of 31 December 2022	As of 31 December 2021
Reinsurance payables	159	40
Deferred reinsurance commission income	62	40
	221	80

12 Lease liability

Lease liability for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	As of 31 December 2022	As of 31 December 2021
Current	67	57
Non-current	53	45
	120	102

The Company has leases for the Office. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. 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 leases	Remaining lease period (Months)
Building	1	24 Month

Future minimum lease payments at 31 December 2022 and 2021 were as follows:

In thousand Georgian lari	Minimum lease payments	
	As of 31 December 2022	As of 31 December 2021
Within one year		
Lease payments	74	62
Finance charges	7	5
	81	**67**
In second to fifth years inclusive		
Lease payments	55	46
Finance charges	2	1
	57	**47**
Net present value	**138**	**114**

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

In thousand Georgian lari	Lease liability
as of 1 January 2021	44
Modification adjustment on IFRS 16	115
Proceeds	-
Interest paid	(3)
Repayments	(57)
Interest accrual	3
as of 31 December 2021	102
Modification adjustment on IFRS 16	77
Proceeds	-
Interest paid	(6)
Repayments	(59)
Interest accrual	6
as of 31 December 2022	120

13 Accounts payable

Accounts payable for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	As of 31 December 2022	As of 31 December 2021
Payables to principals	1,030	425
Acquisition cost payable	77	179
Other payables	83	52
	1,190	656

14 Net earned premium

Net earned premiums for the years ended December 31,2022 comprise:

In thousand Georgian lari 2022	Gross premiums written	Premiums ceded to reinsurers	Net insurance revenue	Change in the gross provision for unearned premiums	Change in unearned premium provision, reinsurers share	Net earned premiums
Compulsory MTPL	2,334	-	2,334	(91)	2	2,245
Motor insurance	572	(95)	477	194	63	734
Guarantees related to state procurement and other liabilities	207	-	207	(36)	-	171
Construction risk insurance	160	(152)	8	(125)	119	2
MTPL	73	(9)	64	(5)	8	67
Cargo insurance	52	(47)	5	(3)	3	5
Property insurance	33	(33)	-	76	(50)	26
Machinery insurance	20	(15)	5	(1)	3	7
Professional Indemnity Insurance	13	(12)	1	(4)	3	-
Land carrier liability insurance	7	(7)	-	(2)	2	-
Travel insurance	-	-	-	-	-	-
Other types of liability insurance	259	(182)	77	(20)	1	58
	3,730	(552)	3,178	(17)	154	3,315

Net earned premiums for the years ended December 31,2021 comprise:

In thousand Georgian lari 2021	Gross premiums written	Premiums ceded to reinsurers	Net insurance revenue	Change in the gross provision for unearned premiums	Change in unearned premium provision, reinsurers share	Net earned premiums
Compulsory MTPL	1,255	-	1,255	(20)	-	1,235
Motor insurance	1,169	-	1,169	(116)	-	1,053
Guarantees related to state procurement and other liabilities	103	-	103	-	-	103
Construction risk insurance	8	(7)	1	1	-	2
MTPL	59	-	59	(26)	-	33
Cargo insurance						
Property insurance	170	(141)	29	(84)	69	14
Machinery insurance	26	(15)	11	(2)	6	15
Professional Indemnity Insurance	3	(3)	-	-	-	-
Land carrier liability insurance	-	-	-	8	-	8
Travel insurance	-	-	-	-	-	-
Other types of liability insurance	262	(206)	56	(112)	88	32
	3,055	(372)	2,683	(351)	163	2,495

15 Claims paid and related expenses

Claims paid and related expenses for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Compulsory MTPL	243	118
Motor insurance	174	120
Cargo Insurance	151	2
MTPL	75	35
Guarantees related to state procurement and other liabilities	24	65
Machinery insurance	19	14
Other	15	4
	701	358

16 Income received by regression

Income received by regression for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Cargo insurance	147	-
Guarantees related to state procurement and other liabilities	24	65
Motor insurance	24	10
Motor own damage insurance (motorcycle)	11	2
	206	77

17 Acquisition costs, net of reinsurance

Acquisition costs, net of reinsurance for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Acquisition costs	286	109
Reinsurance commissions	(96)	(49)
	190	60

18 Interest income

Interest income for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Interest income in GEL	193	306
Interest income in USD	261	285
	454	591

19 General and administrative expenses

General and administrative expenses for the year ended December 31, 2022 and 2021 is presented as follows:

In thousand Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Salary and other benefits	818	825
Membership fee	217	225
Advertising costs	134	4
Depreciation and amortization	86	85
Supervisory fee	37	27
Utility costs	25	19
Consulting costs	24	26
Audit Fee	23	27
Communication costs	7	5
Bank fees	3	7
Other general and administrative expenses	161	55
	1,535	1,305

20 Net foreign exchange gain / (loss)

Net foreign exchange gain / (loss) for the year ended December 31,2022 and 2021 is presented as follows:

In thousand Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Foreign exchange gain	1,100	721
Amounts due from banks	911	646
Cash and cash equivalents	80	19
Insurance and reinsurance receivables	47	56
Accounts Payable	34	-
Other insurance liabilities	28	-
Foreign exchange loss	(2,685)	(1,289)
Amounts due from banks	(2,485)	(1,148)
Insurance and reinsurance receivables	(109)	(100)
Cash and cash equivalents	(61)	(34)
Accounts Payable	(20)	(7)
Other insurance liabilities	(10)	-
Net foreign exchange gain / (loss)	(1,585)	(568)

21 Income tax recovery / (expense)

Income tax recovery / (expense) for the year ended December 31,2022 and 2021 is presented as follows:

In thousand Georgian lari	Period ended 31 December 2022	Period ended 31 December 2021
Current profit tax expense	-	(138)
Deferred income tax expense	16	1
	16	(137)

	Period ended 31 December 2022	Period ended 31 December 2021
Profit (loss) before tax	(248)	860
Theoretical profit tax (15%)	37	(129)
The effect of temporary differences	(16)	(1)
The effect of permanent differences	(5)	(7)
Profit tax recovery / (expense)	16	(137)

22 Critical accounting estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgment are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date, 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:

Liabilities arising from insurance contracts

The estimation of the ultimate liability arising from claims 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 both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date can take a significant period of time before the ultimate claims cost can be established with certain General insurance claims provisions are not discounted for the time value of money.

The ultimate cost of IBNR is estimated by using a range of standard actuarial claims projection techniques, such as Chain ladder method; the main assumption underlying this technique is that company's past claims development experience can be used to project future claims development an 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 pas year and expected loss ratios

Allowance for impairment of insurance receivables and reinsurance receivables

The company regularly reviews its insurance receivables to assess impairment. For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include significant financial difficulty of the customer and/or breach of contract such as default of payment. The amount of allowance is reduced by an amount of debt that the company has adequate reasons to believe will be recovered. Management judgment is that historical trends can serve as a basis for predicting incurred losses and that this approach can be used to estimate the amount of recoverable debts as at the reporting period end.

23 Financial risk management

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Financial risk comprises market risk (including currency risk, Interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Credit risk

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

In thousand Georgian lari	As of 31 December 2022	As of 31 December 2021
Amounts due from credit institutions	11,269	11,359
Cash and cash equivalents	2,675	1,507
Insurance and reinsurance receivables	567	806
Receivable from regress	19	15
	14,530	13,687

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, exposure to exchange rate fluctuations arises.

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

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

In thousand Georgia lari 2022	US dollar	Euro
Financial assets		
Amounts due from credit institutions	9,907	-
Insurance and reinsurance receivables	319	4
Accounts payable	96	-
Cash and cash equivalents	37	-
	10,359	4

In thousand Georgia lari 2021	US dollar	Euro
Financial assets		
Amounts due from credit institutions	11,320	-
Insurance and reinsurance receivables	498	8
Accounts payable	205	-
Cash and cash equivalents	444	-
	12,467	8

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 and Euro by 15% then this would have had the following impact:

In thousand Georgian lari	US dollar impact 2022	EUR impact 2022	US dollar impact 2021	EUR impact 2021
Profit or loss	1,554	1	1,870	1

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

Interest rate risk

The Company is not exposed to interest rate risk as financial instruments are at fixed rates.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations. The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service-related payments when those become due. The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

In thousand Georgian lari 2022	Less than a year	1 to 5 years	Total
Financial assets			
Amounts due from credit institutions	11,269	-	11,269
Cash and cash equivalents	2,675	-	2,675
Insurance and reinsurance receivables	567	-	567
Receivables from regress	19	-	19
	14,530	-	14,530
Financial liabilities			
Account payable	1,190	-	1,190
Insurance contracts liabilities	396	-	396
Other insurance liabilities	221	-	221
Lease liability	67	53	120
Tax liabilities	-	-	-
	1,874	53	1,927

In thousand Georgian lari 2021	Less than a year	1 to 5 years	Total
Financial assets			
Amounts due from credit institutions	11,359	-	11,359
Cash and cash equivalents	1,507	-	1,507
Insurance and reinsurance receivables	806	-	806
Receivables from regress	15	-	15
	13,687	-	13,687
Financial liabilities			
Account payable	656	-	656
Insurance contracts liabilities	63	-	63
Other insurance liabilities	80	-	80
Lease liability	57	45	102
Tax liabilities	-	-	-
	856	45	901

24 Fair value measurement of financial instruments

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

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

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

24.1 Fair value measurement of financial instruments

Assets not measured at fair value but for which fair value is disclosed:

In thousand Georgian lari	As of 31 December 2022				As of 31 December 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Amounts due from credit institutions	-	11,269	-	11,269	-	11,359	-	11,359
Cash and cash equivalents	-	2,675	-	2,675	-	1,507	-	1,507
	-	13,944	-	13,944	-	12,866	-	12,866

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

25 Capital risk management

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

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

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

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

Regulatory requirements

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

- According to the ISSSG directive Ne27, issued on 25 December 2017, the minimum capital from 31 December 2018 throughout the period should be not less than GEL 4.200 (in thousands) and the Company should, at all times, maintain total of this amount in either cash and cash equivalents or in bank balances. Order of the Head of the State Insurance Supervision Service of Georgia According to No45, the minimum amount of own capital at all stages of the insurance activity must be a) Life insurance: 7,200 GEL - from December 31, 2021; B) Insurance (non-life) except for compulsory liability insurance, liability insurance and credit liability insurance: GEL 4,800 - from 31 December 2021, c) Insurance (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 in excess of to RSM.

26 Contingent liabilities

26.1 Bank guarantees

The company uses a bank guarantee from one of the banks, the value of which as of December 31, 2022 and 2021 was GEL 35 thousand. The subject of the mortgage is a term deposit. The deposit amount is GEL 35 thousand.

26.2 Tax legislation

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.

27 Related parties

The Company's related parties include, parties have the ability to control the entity (owners) or exercise significant influence over the other party in making financial or operational decisions, Common control entities and management of the company.

28 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 thousand Georgian lari Transactions	Year ended 31 December 2022	Year ended 31 December 2021
Entity under common control		
Gross premiums	201	167
General and administrative expenses	133	-
Other expenses	-	-
F/X effect on foreign currency	2	3
	336	170

In thousand Georgian lari Outstanding balances	As of 31 December 2022	As of 31 December 2021
Entity under common control		
Accounts payable	189	286
Insurance and reinsurance receivables	84	9
Insurance contract liabilities	20	-
	293	295

In thousand Georgian lari	Year ended 31 December 2022	Year ended 31 December 2021
Top management salary and other benefits	120	121

29 Subsequent events

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