

FAR/41-24

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS AND INDEPHENDENT AUDITORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

CONTENTS

Independent auditor's report 1-3

Financial Statements

Statement of Comprehensive Income..... 4

Statement of Financial Position..... 5

Statement of Changes in Equity 6

Statement of Cash Flows..... 7

Notes to the Financial Statements 8-52

These financial statements are presented in GEL.

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INDEPENDENT AUDITOR'S REPORT**TO THE SHAREHOLDERS OF JSC INSURANCE COMPANY AUTOGRAPH***Opinion*

We have audited the financial statements of JSC Insurance Company Autograph (Formerly JSC Ardi Insurance) (the Company), which comprise the statement of financial position as at December 31, 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The company has recognized GEL 15,236,084 in subrogation receivables and GEL 9,570,817 in provision reserves related to these receivables. The subrogation receivables are long overdue and lacks any collateral. Consequently, a 100% provision reserve should have been established. However, the company's criteria for calculating provision reserves differ significantly from the requirements of International Financial Reporting Standard 9 (IFRS 9). Given the materiality of this matter to the financial statements, our opinion is qualified regarding this issue. We were unable to determine whether adjustments might have been necessary concerning the recorded or unrecorded provision reserves, income from subrogation, or other related adjustments for valuation and measurement.

We have received a confirmation from a reinsurance company indicating a payable balance that differs by GEL 1,126,714 million from the amount recorded in the books of the company. The company was unable to reconcile these differences. As this balance is material to the financial statements, our opinion is qualified regarding this matter. Due to the unreconciled difference, we could not determine the potential impact on the figures recorded, including any necessary adjustments to the recorded payable balance, and the completeness and accuracy of the financial information presented.

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

Emphasis of Matter Paragraph

We draw attention to Note 20 in the financial statements, which describes a significant transaction executed by JSC Ardi Insurance by the end of April 2024. The company sold its portfolio, excluding suretyships and MTPL, including all related assets and liabilities, and subsequently changed its name to JSC Insurance Company Autograph. This rebranding and sale, registered with the National Agency of Public Registry (NAPR), aimed to restructure the company's operations. This event is not considered an adjusting event for the financial statements as of December 31, 2023, in accordance with International Standard on Auditing (ISA) 560. The sale occurred after the reporting period, with necessary approvals and finalization of terms resolved post year-end. Therefore, it does not provide additional evidence about conditions existing at the end of the reporting period. Our opinion is not modified in respect of this matter.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the financial statements and our auditor's report thereon. The management report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements will not cover the other information and we will not express any form of assurance conclusion thereon.

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

Our obligation is to express an opinion on the compliance of the parts of the company's 2023 management report with the Law of Georgia on "Accounting, Reporting and Auditing" ("the Law"), and in case of essential inaccuracies, to indicate their essence, as well as to state any information which is not reported specified by law in the management report.

We will perform certain procedures needed to form a conclusion on the compliance of the Company's management report with article 7 para 6 of law of on Accounting, Reporting and Auditing and a review report in this regard shall be issued through a separate letter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

22 July, 2024

RSM Georgia

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

A handwritten signature in blue ink, appearing to read "Ali Murtza", written over a large, loopy blue oval scribble.

JSC INSURANCE COMPANY AUTOGRAPH (FORMERLY JSC ARDI INSURANCE)
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023	2022 Restated
Insurance revenue	4	94,357,115	82,266,000
Insurance service expenses	5	(91,820,725)	(82,931,488)
Insurance service result before Re-insurance contracts held		2,536,390	(665,488)
Income from re-insurance contract held	4	8,623,432	14,199,276
Expenses of re-insurance contracts held	5	(10,666,889)	(17,700,902)
Net expense from re-insurance contracts held		(2,043,457)	(3,501,626)
Insurance service result		492,933	(4,167,114)
Net investment income	6	898,823	905,139
Exchange Gan / (Loss) on financial assets		296,453	(520,749)
Impairment and write off expense		(30,794)	(782,993)
Financial income / (expenses) from Insurance contracts	12	(989,912)	(766,146)
Finance income / (expenses) from reinsurance contracts	8	2,036,507	1,517,956
Net financial result		2,704,010	(3,813,907)
Other income		-	-
Profit/(Loss) before tax		2,704,010	(3,813,907)
Income tax expense		(56,879)	95,490
Net Profit/(Loss) for the year		2,647,131	(3,718,417)
Other Comprehensive Income for the year		-	-
Total Comprehensive Income for the year		2,647,131	(3,718,417)
From continuing operations		531,630	(4,954,543)
From discontinuing operations		2,115,501	1,236,126
Total Comprehensive Income for the year		2,647,131	(3,718,417)

Lasha Lapachi
 General Director

JSC INSURANCE COMPANY AUTOGRAPH (FORMERLY JSC ARDI INSURANCE)
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2023	Restated 31.12.2022	Restated 01.01.2022
Assets				
Cash and cash equivalents	7	10,178,552	7,111,223	6,145,075
Amounts due from credit institutions	7	12,323,133	12,107,278	7,617,222
Other assets	9	2,183,933	667,310	2,608,055
Investment property	10	3,915,365	3,241,471	662,800
Intangible assets		369,376	473,576	603,473
Property and equipment	11	4,655,891	4,621,555	5,277,751
		33,626,250	28,222,413	22,914,376
Equity				
Share capital	16	9,128,050	9,128,050	4,550,210
Revaluation surplus		2,066,928	2,066,928	2,066,928
Retained earnings		(2,616,403)	(5,263,534)	(1,467,074)
		8,578,575	5,931,444	5,150,064
Liabilities				
Re-Insurance contract liabilities	8	13,786,262	8,842,990	5,476,591
Insurance contract liabilities	12	863,759	5,686,340	3,573,463
Borrowings and lease liability	13	3,242,675	2,798,252	3,369,215
Trade and other payables	14	6,799,504	4,518,957	4,930,241
Deferred tax liability		69,875	26,178	42,727
Current income tax		285,600	418,252	372,075
		25,047,675	22,290,969	17,764,312
		33,626,250	28,222,413	22,914,376

Lasha Lapachi
 General Director

JSC INSURANCE COMPANY AUTOGRAPH (FORMERLY JSC ARDI INSURANCE)
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Revaluation surplus	Retained earnings	Total
31 December 2021	4,550,210	2,066,928	1,506,179	8,123,317
IFRS 17 Adjustments	-	-	(2,973,253)	(2,973,253)
At 31 December 2021	4,550,210	2,066,928	(1,467,074)	5,150,064
Issue of ordinary shares	4,577,840	-	-	4,577,840
Profit/(Loss) for the year	-	-	(3,718,417)	(3,718,417)
Dividends paid	-	-	(78,043)	(78,043)
At 31 December 2022	9,128,050	2,066,928	(5,263,534)	5,931,444
Issue of ordinary shares	-	-	-	-
Profit/(Loss) for the year	-	-	2,647,131	2,647,131
Dividends paid	-	-	-	-
At 31 December 2023	9,128,050	2,066,928	(2,616,403)	8,578,575

Lasha Lapachi
 General Director

JSC INSURANCE COMPANY AUTOGRAPH (FORMERLY JSC ARDI INSURANCE)
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF CASH FLOWS

	2023	2022
Cash flows from operating activities		
Cash received from Insurance Revenue	82,377,677	62,053,762
Expenses of reinsurance contracts held Paid	(1,577,074)	(1,633,771)
Insurance service expenses Paid	(73,767,826)	(54,000,512)
Cash received from re-insurance contract held	11,383,003	9,387,916
Payments for leases	(582,489)	(548,318)
Payments to suppliers and employees	(12,697,576)	(12,255,061)
Interest paid	(311,861)	(209,947)
Taxes paid	(2,957,210)	(2,484,164)
Cash flows used in operating activities	1,866,644	309,905
Cash flows from investing activities		
Purchase of fixed and intangible assets	(182,645)	(155,709)
Loans issued	-	(7,544)
Repayment of loans issued	56,482	63,000
Interest received	1,167,561	935,927
Cash flows used in investing activities	1,041,398	835,674
Cash flows from financing activities		
Proceeds of new borrowings	1,350,000	2,912,354
Repayment of borrowings	(1,271,311)	(2,578,974)
Proceeds from issue of shares	-	4,672,237
Dividends paid	-	(74,141)
Net Cash flows from/ (used in) financing activities	78,689	4,931,476
CASH AND CASH EQUIVALENTS		
At 1 January	19,218,501	13,662,195
Net increase in the year	2,986,731	6,077,055
Effect of exchange rate changes on cash and cash equivalents held	296,453	(520,749)
At 31 December	22,501,685	19,218,501



Lasha Lapachi
 General Director

JSC INSURANCE COMPANY AUTOGRAPH (FORMERLY JSC ARDI INSURANCE)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

JSC Insurance Company Autograph (Formerly: Ardi Insurance JSC) (the Company) is a Joint-Stock Company domiciled in and registered under the laws of Georgia at March 31, 2010. The Company operates by head office and 5 service centers and provides different life and non-life insurance services in Georgia. The registered office of the Company is 3 Vazha-Pshavela avenue, Tbilisi.

The ordinary shareholders of the Company are:

	2023	2022
Gazelle Finance Georgia LLC	36.00%	36.00%
Armaz Tavadze	35.00%	35.00%
Zaza Nishnianidze	20.00%	20.00%
William Thomas Ipsen	2.59%	2.59%
Kartlos Koranashvili	1.78%	1.78%
Mikheil Japaridze	1.78%	1.78%
Eka Ergemlidze	1.78%	1.78%
Lasha Lapachi	1.07%	1.07%
	100%	100%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (“IFRS”), being standards and interpretations issued by the International Accounting Standards Board (“IASB”), in force at 31 December 2023.

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

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

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

NOTES (CONTINUED)

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

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

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

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

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

Standards issued but not yet effective

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

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

2.2 Transition Impact

The Company has applied the transition provisions in IFRS 9 and IFRS 17 and effects of adopting these standards on the financial statements as at 1 January 2022 and 31 December 2022 are presented below:

As on 31 December 2022	Before IFRS-17	After IFRS-17	Impact
Insurance contract liabilities	6,616,199	5,686,340	(929,859)
Re-Insurance contract liability	(9,536,734)	(8,842,990)	693,744
Equity Impact			(236,115)

1 January 2022	Before IFRS-17	After IFRS-17	Impact
Insurance contract liabilities	4,133,992	3,573,461	(560,531)
Re-Insurance contract liability	(3,063,869)	(5,476,591)	(2,412,722)
Equity Impact			(2,973,253)

NOTES (CONTINUED)

Material accounting policy information

2.3 IFRS 17 Insurance Contracts

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

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

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

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

2.4 Recognition

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

Beginning of the coverage period;

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

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

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

Level of Aggregation

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

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

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

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

NOTES (CONTINUED)

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

Contracts that are onerous at inception;

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

Cohorts

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

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

2.5 Measurement Models

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

Premium Allocation Approach ("PAA")

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

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

Liability for Remaining Coverage ("LRC")

- Excluding Loss Component
- Loss Component, if any

Liability for Incurred Claims ("LIC")

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

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

General Measurement Model ("GMM")

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

Liability for Remaining Coverage ("LRC")

- Estimates of future cashflows
- Risk adjustment

NOTES (CONTINUED)

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

Liability for Incurred Claims ("LIC")

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

Variable Fees Approach ("VFA")

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

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

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

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

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

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

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

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

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

• **NOTES (CONTINUED)**

IFRS 17. The impact for regular payment plans will depend on how close the service pattern is to the one currently implied under the plans.

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

2.6 Estimates of Future Cashflows

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

2.7 Discounting

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

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

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

2.8 Contractual Service Margin ("CSM")

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

2.9 Onerous Contracts and Loss Components

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

2.10 Transition

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

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

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

NOTES (CONTINUED)

Key Accounting Policy Choices

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

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

2.11 Revenue recognition

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

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

2.12 Finance income or expenses from insurance contracts issued

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

- Interest accreted on the CSM;
- Interest accreted on the PAA LRC excluding the LC (if adjusted for the financing effect);
- The financing effect on the LC measured under the PAA (if adjusted for the financing effect);
- The effect of changes in FCFs at current rates, when the corresponding CSM unlocking is measured at the locked in rates;
- Any interest charged to or added to insurance / reinsurance asset or liability balances; and
- The effect of changes in interest rates and other financial assumptions.

For all groups of contracts, the Company disaggregates insurance finance income or expenses for the period between profit or loss and other comprehensive income (that is, the OCI option is applied). The finance income

NOTES (CONTINUED)

and expenses from insurance contracts issued recognized in the statement of profit or loss reflects the unwind of the liabilities at the locked-in rates. The remaining amount of finance income and expenses from insurance contracts issued for the period is recognized in OCI.

2.13 Other revenue recognition

a) *Interest income*

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

b) *Dividend income*

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

c) *Reinsurance commission earned*

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

2.14 Financial instruments

a) *Investments and other financial assets*

(i) Classification

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

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

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

(ii) Recognition and derecognition

All "regular way" purchases and sales of financial assets are recognized on the "trade date", i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

NOTES (CONTINUED)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

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

a) *Equity investment's*

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

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

impingent and uncollectible q, (financial assets

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

(b) Insurance and other receivables

NOTES (CONTINUED)

Impairment of financial assets

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

Overview

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

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

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

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

- Stage 1: When financial instruments are first recognized, the Company recognizes an allowance based on 12-month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the has been reclassified from Stage 2.
- Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECLs. Stage 2 also include instruments, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

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

The calculation of ECLs

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

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a

NOTES (CONTINUED)

given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

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

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

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

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

Debt instruments measured at fair value through OCI

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

Forward looking information

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

- GDP growth
- Oil prices

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

(c) Financial liabilities

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

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

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

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

Offsetting (financial assets and liabilities)

NOTES (CONTINUED)

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

(d) Cash and cash equivalents

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

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

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

Impairment of non-financial assets

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

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

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

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

Lease liabilities

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

NOTES (CONTINUED)

PROPERTY AND EQUIPMENT

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

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

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

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

Buildings	4% straight line
Computers and other technical equipment	20-33% straight line
Furniture and office equipment	20-50% straight line
Vehicles	14% straight line
Other	10-20% straight line
Land is not depreciated	

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

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

Right-of-use assets

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

INTANGIBLE ASSETS

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

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

FOREIGN CURRENCY TRANSACTIONS

NOTES (CONTINUED)

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

	GEL / USD	GEL / EUR
Exchange rate as at 31 December 2023	2.69	2.98
Average rate for the year ended 31 December 2023	2.63	2.84
Exchange rate as at 31 December 2022	2.70	2.88
Average rate for the year ended 31 December 2022	2.92	3.08

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

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

INCOME TAXES

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

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

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

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

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

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

PROVISIONS

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

EQUITY

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

NOTES (CONTINUED)

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

3. SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Measurement of the expected credit loss allowance

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

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

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

Estimates of future cash flows to fulfill insurance contracts

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

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

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

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

Assessment of significance of insurance risk

NOTES (CONTINUED)

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

Risk adjustment

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

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

Onerous groups

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

Discounting

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

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

Useful lives of property and equipment and intangible assets

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

Fair value of property

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

Income tax

The Company is subject to income tax and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the

NOTES (CONTINUED)

ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities.

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

4. INSURANCE REVENUE AND INCOME FROM RE-INSURANCE CONTRACT HELD

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

Products	Contract measured under PAA approach					
	Insurance Revenue		Income from re-insurance contract held		Total Insurance Revenue	
	2023	2022	2023	2022	2023	2022
Medical (Health)	67,856,650	51,611,329	-	-	67,856,650	51,611,329
Road Transport Means	7,157,877	5,682,072	535,849	188,387	7,693,726	5,870,459
Motor Third Party Liability (Compulsory)	2,673,146	2,107,492	-	-	2,673,146	2,107,492
Property	1,548,494	1,582,499	246,506	-	1,795,000	1,582,499
Suretyships	1,014,919	1,291,251	7,359,831	12,985,736	8,374,750	14,276,987
Personal Accident	793,384	716,810	-	-	793,384	716,810
Third Party Liability	612,090	715,600	-	-	612,090	715,600
Motor Third Party Liability*	746,298	647,135	-	-	746,298	647,135
Travel	691,401	535,396	-	-	691,401	535,396
Cargo	278,161	305,823	-	-	278,161	305,823
Life	666,911	122,773	24,868	127,428	691,779	250,201
Financial Loss Risks	151,245	95,973	-	-	151,245	95,973
Aviation Transport Means (Hull)	117,381	88,950	-	431,675	117,381	520,625
Aviation Third Party Liability	62,898	60,234	-	-	62,898	60,234
Marine Transport Means (Hull)	-	(1,865)	-	-	-	(1,865)
Income from salvage	9,986,260	16,704,528	-	-	9,986,260	16,704,528
Amortization of commission income	-	-	456,378	466,050	456,378	466,050
Total	94,357,115	82,266,000	8,623,432	14,199,276	102,980,547	96,465,276

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

Insurance Revenue	2023	2022
Allocation of Premium	84,370,855	65,561,472
Subrogation Salvage	9,986,260	16,704,528
Insurance Revenue	94,357,115	82,266,000

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

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

Income from re-insurance contract held	2023	2022
Amounts recoverable for claims and other expenses	12,014,604	7,145,189
Changes in estimate relate to past service	(3,847,550)	6,588,037
Amortization of commission income	456,378	466,050
Total Income from re-insurance contract held	8,623,432	14,199,276

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

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

Products	Net Insurance Revenue under PAA approach					
	Insurance Revenue		Expenses of reinsurance contracts held		Net Insurance Revenue	
	2023	2022	2023	2022	2023	2022
Medical (Health)	67,856,650	51,611,329	-	-	67,856,650	51,611,329
Road Transport Means	7,157,877	5,682,072	1,286,006	732,834	5,871,871	4,949,238
Motor Third Party Liability (Compulsory)	2,673,146	2,107,492	-	-	2,673,146	2,107,492
Property	1,548,494	1,582,499	581,452	578,692	967,042	1,003,807
Suretyships	1,014,919	1,291,251	660,078	1,632,256	354,841	(341,005)
Personal Accident	793,384	716,810	13,314	38,860	780,070	677,950
Third Party Liability	612,090	715,600	185,575	146,679	426,515	568,921
Motor Third Party Liability	746,298	647,135	-	-	746,298	647,135
Travel	691,401	535,396	-	-	691,401	535,396
Cargo	278,161	305,823	62,071	98,324	216,090	207,499
Life	666,911	122,773	363,062	148,288	303,849	(25,515)
Financial Loss Risks	151,245	95,973	347	10,215	150,898	85,758
Aviation Transport Means (Hull)	117,381	88,950	98,953	(4,279)	18,428	93,229
Aviation Third Party Liability	62,898	60,234	45,941	70,977	16,957	(10,743)
Marine Transport Means (Hull)	-	(1,865)	-	(1,472)	-	(393)
Income from salvage	9,986,260	16,704,528	-	-	9,986,260	16,704,528
Net amounts payable on account of salvage share	-	-	7,214,333	12,892,837	(7,214,333)	(12,892,837)
Impact of discounting	-	-	(478,182)	824,213	478,182	(824,213)
Re-Insurance share in admin exp	-	-	633,939	532,478	(633,939)	(532,478)
Total	94,357,115	82,266,000	10,666,889	17,700,902	83,690,226	64,565,098

5. **NOTES (CONTINUED)**
INSURANCE SERVICE EXPENSES AND EXPENSES OF REINSURANCE CONTRACT HELD

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

Products	Insurance Service Expenses measured under PAA approach					
	Insurance Service Expenses		Expenses of reinsurance contracts held		Total Insurance Service Expense	
	2023	2022	2023	2022	2023	2022
Medical (Health)	50,818,198	44,646,042	-	-	50,818,198	44,646,042
Road Transport Means	6,352,266	5,530,849	1,286,006	732,834	7,638,272	6,263,683
Motor Third Party Liability (Compulsory)	316,156	279,150	-	-	316,156	279,150
Property	621,635	143,368	581,452	578,692	1,203,085	722,060
Suretyships	12,094,437	10,371,138	660,078	1,632,256	12,754,515	12,003,394
Personal Accident	8,071	17,232	13,314	38,860	21,385	56,092
Third Party Liability	16,522	21,279	185,575	146,679	202,097	167,958
Motor Third Party Liability	931,762	951,109	-	-	931,762	951,109
Travel	63,331	46,588	-	-	63,331	46,588
Cargo	171	18,322	62,071	98,324	62,242	116,646
Life	140,347	263,020	363,062	148,288	503,409	411,308
Financial Loss Risks	90,051	108,400	347	10,215	90,398	118,615
Aviation Transport Means (Hull)	-	258,327	98,953	(4,279)	98,953	254,048
Aviation Third Party Liability	-	-	45,941	70,977	45,941	70,977
Marine Transport Means (Hull)	-	-	-	(1,472)	-	(1,472)
Impairment of assets for insurance acquisition cashflows	107,983	2,580,974	-	-	107,983	2,580,974
Amortization of insurance acquisition cash flows	5,557,320	4,972,999	-	-	5,557,320	4,972,999
FX Gain / (Loss)	570,173	631,559	-	-	570,173	631,559
Impact of discounting	(67,819)	163,712	(478,182)	824,213	(546,001)	987,925
Admin Exp Allocation	14,200,123	11,927,420	633,939	532,478	14,834,062	12,459,898
Net amounts payable on account of salvage share	-	-	7,214,333	12,892,837	7,214,333	12,892,837
Total Insurance Service Expenses	91,820,725	82,931,488	10,666,889	17,700,902	102,487,614	100,632,390

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

Insurance Service Expenses	2023	2022
Incurred claims and other expenses	74,384,625	54,473,145
Impairment of assets for insurance acquisition cashflows	107,983	2,580,974
Changes in estimate relate to past service	(3,329,124)	7,973,333
Changes to liabilities for incurred claims	397,444	208,346
Amortization of insurance acquisition cash flows	5,557,320	4,972,999
FX Gain / (Loss)	570,173	631,559
Impact of discounting	(67,819)	163,712
Other insurance service expense	14,200,123	11,927,420
Insurance Service Expenses	91,820,725	82,931,488

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

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

Expenses of reinsurance contracts held	2023	2022
Allocation of re-insurance premium	3,420,526	2,898,581
Net amounts payable on account of salvage share	7,214,333	12,892,837
Changes in estimate relate to past service	(123,727)	552,793
Impact of discounting	(478,182)	824,213
Re-Insurance share in admin exp	633,939	532,478
Expenses of reinsurance contracts held	10,666,889	17,700,902

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

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

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

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

Product	Insurance Service Expense under PAA approach 2023			
	Incurring claims and other expenses	Changes to liabilities for incurred claims	Amortization of insurance acquisition cash flows	Insurance Service Expense
Medical (Health)	52,903,244	(2,367,713)	282,667	50,818,198
Road Transport Means	6,612,897	(295,964)	35,333	6,352,266
Motor Third Party Liability (Compulsory)	329,127	(14,730)	1,759	316,156
Property	647,138	(28,963)	3,458	621,633
Suretyships	12,590,666	(563,502)	67,273	12,094,437
Personal Accident	8,402	(376)	45	8,071
Third Party Liability	17,200	(770)	92	16,522
Motor Third Party Liability	969,991	(43,412)	5,183	931,762
Travel	65,930	(2,951)	352	63,331
Cargo	178	(8)	1	171
Life	146,106	(6,539)	780	140,347
Financial Loss Risks	93,746	(4,196)	501	90,051
Impairment of assets for insurance acquisition cashflows	-	-	-	107,983
Amortization of insurance acquisition cash flows	-	-	-	5,557,320
FX Gain / (Loss)	-	-	-	570,173
Impact of discounting	-	-	-	(67,819)
Admin Exp Allocation	-	-	-	14,200,123
Total	74,384,625	(3,329,124)	397,444	91,820,725

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

Insurance Service Expense under PAA approach 2022				
Product	Incurring claims and other expenses	Changes to liabilities for incurred claims	Amortization of insurance acquisition cash flows	Insurance Service Expense
Medical (Health)	38,816,011	5,681,570	148,461	44,646,042
Road Transport Means	4,808,612	703,845	18,392	5,530,849
Motor Third Party Liability (Compulsory)	242,698	35,524	928	279,150
Property	124,646	18,245	477	143,368
Suretyships	9,016,840	1,319,811	34,487	10,371,138
Personal Accident	14,982	2,193	57	17,232
Third Party Liability	18,500	2,708	71	21,279
Motor Third Party Liability	826,910	121,036	3,163	951,109
Travel	40,504	5,929	155	46,588
Cargo	15,929	2,332	61	18,322
Life	228,674	33,471	875	263,020
Financial Loss Risks	94,245	13,795	360	108,400
Aviation Transport Means (Hull)	224,594	32,874	859	258,327
Impairment of assets for insurance acquisition cashflows	-	-	-	2,580,974
Amortization of insurance acquisition cash flows	-	-	-	4,972,999
FX Gain / (Loss)	-	-	-	631,559
Impact of discounting	-	-	-	163,712
Admin Exp Allocation	-	-	-	11,927,420
Total	54,473,145	7,973,333	208,346	82,931,488

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

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

Products	Insurance Service Expenses measured under PAA approach					
	Insurance Service Expenses		Income from re-insurance contract held		Net Insurance Exp.-Revenue	
	2023	2022	2023	2022	2023	2022
Medical (Health)	50,818,198	44,646,043	-	-	50,818,198	44,646,043
Road Transport Means	6,352,267	5,530,849	535,849	188,387	5,816,418	5,342,462
Motor Third Party Liability (Compulsory)	316,155	279,149	-	-	316,155	279,149
Property	621,633	143,367	246,506	-	375,127	143,367
Suretyships	12,094,437	10,371,138	7,359,831	12,985,736	4,734,606	(2,614,598)
Personal Accident	8,071	17,232	-	-	8,071	17,232
Third Party Liability	16,522	21,279	-	-	16,522	21,279
Motor Third Party Liability	931,761	951,109	-	-	931,761	951,109
Travel	63,332	46,588	-	-	63,332	46,588
Cargo	171	18,321	-	-	171	18,321
Life	140,347	263,022	24,868	127,428	115,479	135,594
Financial Loss Risks	90,051	108,400	-	-	90,051	108,400
Aviation Transport Means (Hull)	-	258,327	-	431,675	-	(173,348)
Impairment of assets for insurance acquisition cashflows	107,983	2,580,974	-	-	107,983	2,580,974
Amortization of insurance acquisition cash flows	5,557,320	4,972,999	-	-	5,557,320	4,972,999
Impact of discounting	(67,819)	163,712	-	-	(67,819)	163,712
FX Gain / Loss	570,173	631,559	-	-	570,173	631,559
Admin Exp Allocation	14,200,123	11,927,420	-	-	14,200,123	11,927,420
Amortization of commission income	-	-	456,378	466,050	(456,378)	(466,050)
Total net Insurance Service Expenses	91,820,725	82,931,488	8,623,432	14,199,276	83,197,293	68,732,212

Below is the comparison of re-insurance expenses incurred during the year 2023 and 2022 by factor wise;

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

Product	Expenses of reinsurance contracts held under PAA approach 2023 and 2022					Total 2022
	Allocation of re-insurance premium 2023	Changes in estimate relate to past service	Total 2023	Allocation of re-insurance premium 2022	Changes in estimate relate to past service	
Road Transport Means	1,334,267	(48,261)	1,286,006	615,459	117,375	732,834
Property	603,274	(21,822)	581,452	486,005	92,687	578,692
Suretyships	684,850	(24,772)	660,078	1,370,824	261,432	1,632,256
Personal Accident	13,814	(500)	13,314	32,636	6,224	38,860
Third Party Liability	192,540	(6,965)	185,575	123,186	23,493	146,679
Cargo	64,401	(2,330)	62,071	82,576	15,748	98,324
Life	376,688	(13,626)	363,062	124,537	23,751	148,288
Financial Loss Risks	360	(13)	347	8,579	1,636	10,215
Aviation Transport Means (Hull)	102,667	(3,714)	98,953	(3,594)	(685)	(4,279)
Aviation Third Party Liability	47,665	(1,724)	45,941	59,609	11,368	70,977
Marine Transport Means (Hull)	-	-	-	(1,236)	(236)	(1,472)
Net amounts payable on account of salvage share	-	-	7,214,333	-	-	12,892,837
Impact of discounting	-	-	(478,182)	-	-	824,213
Re-Insurance share in admin exp	-	-	633,939	-	-	532,478
Expenses of reinsurance contracts held	3,420,526	(123,727)	10,666,889	2,898,581	552,793	17,700,902

JSC INSURANCE COMPANY AUTOGRAPH
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

6. INVESTMENT INCOME, NET

	2023	2022
Interest income from loans issued	38,784	276,628
Interest income from deposits	1,192,285	867,221
Interest income	1,231,069	1,143,849
Interest expense on bank loans	(311,861)	(209,947)
Interest expense on other loans	(3,507)	(1,452)
Interest expense on lease liability	(16,878)	(27,313)
Interest expense	(332,246)	(238,712)
Net interest income	898,823	905,137

7. CASH AND CASH EQUIVALENTS, AMOUNT DUE TO CREDIT INSTITUTIONS

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

	2023	2022
Cash on current accounts with banks	10,178,552	7,110,801
Cash on hand	-	422
Cash and cash equivalents	10,178,552	7,111,223
Short-term deposits	11,960,420	11,897,429
Accrued interest	362,713	209,849
Amounts due from credit institutions	12,323,133	12,107,278

Short-term deposits include restricted cash placed on bank accounts to conform to the requirement of regulatory legislation (Note is 16, paragraph of Capital Management).

At 31 December 2023 interest rates on deposits in national currency is in range 8 – 11.5% (2022: 8 – 14.65%), in USD: 2.5 – 4.5% (2022: 0.6 - 3.9%)

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

8. RE-INSURANCE CONTRACT ASSET / (LIABILITY) UNDER PAA APPROACH

Particulars	RE-INSURANCE CONTRACT ASSET / (LIABILITY) UNDER PAA APPROACH 31-Dec-23				
	Assets/(Liabilities) for remaining coverage		Assets/(Liabilities) on incurred claims		Re-insurance contract Asset / (Liability)
	Excluding Loss Component	Loss Component	PV of future cash flows	Risk Adjustment of non-financial risk	
Opening Re-insurance contract assets as at 01/01	-	-	-	-	-
Opening Re-insurance contract liabilities	(2,220,771)	-	(5,566,720)	(1,055,499)	(8,842,990)
Net income or (expense) from reinsurance contracts held					
Allocation of re-insurance premium	(3,296,799)	-	-	-	(3,296,799)
Re-Insurance Premium share in Premium Written	3,420,526	-	-	-	3,420,526
Net amounts payable on account of salvage share	-	-	(7,214,333)	-	(7,214,333)
Amounts recoverable for claims and other expenses					
Changes in estimate relate to past service	-	-	12,014,604	-	12,014,604
Changes to liabilities for incurred claims	-	-	(3,847,550)	-	(3,847,550)
Amortization of commission income	456,378	-	-	26,098	26,098
Insurance financé income	-	-	2,036,507	-	2,036,507
Discounting impact	-	-	300,847	177,335	478,182
Total changes in statement of profit and loss and OCI	(1,640,666)	-	(2,276,645)	(852,066)	(4,769,377)
Recoveries in respect of claims	-	-	(12,014,606)	-	(12,014,606)
Recoveries in respect of other receivables from re-insurer	(4,752,708)	-	-	-	(4,752,708)
Payments to re-insurer on account of salvage	-	-	4,598,019	-	4,598,019
Recoveries in respect of commission	(492,548)	-	-	-	(492,548)
Payments in respect of share of premium	3,644,958	-	-	-	3,644,958
Total cash (Inflows)/Outflows	(1,600,298)	-	(7,416,587)	-	(9,016,885)
Closing re-insurance contract assets	-	-	-	-	-
Closing re-insurance contract liabilities	-	-	-	-	-
Net closing position of re-insurance contract asset / (liability)	(3,240,964)	-	(9,693,232)	(852,066)	(13,786,262)

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

Particulars	RE-INSURANCE CONTRACT ASSET / (LIABILITY) UNDER PAA APPROACH 31-Dec-22					Re-insurance contract Asset / (Liability)
	Assets/(Liabilities) for remaining coverage		Assets/(Liabilities) on incurred claims		Risk Adjustment of non-financial risk	
	Excluding Loss Component	Loss Component	PV of future cash flows			
Opening Re-insurance contract assets as at 01/01	-	-	-	-	-	-
Opening Re-insurance contract liabilities	(394,892)	-	(4,375,613)	(706,086)	-	(5,476,591)
Net income or (expense) from reinsurance contracts held	-	-	-	-	-	-
Allocation of re-insurance premium	(3,451,376)	-	-	-	-	(3,451,376)
Re-Insurance Premium share in Premium Written	2,898,583	-	-	-	-	2,898,583
Net amounts payable on account of salvage share	-	-	(12,892,837)	-	-	(12,892,837)
Amounts recoverable for claims and other expenses	-	-	7,145,189	-	-	7,145,189
Changes in estimate relate to past service	-	-	6,588,037	-	-	6,588,037
Changes to liabilities for incurred claims	-	-	-	(43,751)	-	(43,751)
Amortization of commission income	466,050	-	-	-	-	466,050
Insurance finance income	-	-	1,517,956	-	-	1,517,956
Discounting impact	-	-	(518,551)	(305,662)	-	(824,213)
Total changes in statement of profit and loss and OCI	(481,635)	-	(2,535,819)	(1,055,499)	-	(4,072,953)
Recoveries in respect of claims	-	-	(7,101,437)	-	-	(7,101,437)
Recoveries in respect of other receivables from re-insurer	1,862,335	-	-	-	-	1,862,335
Payments to re-insurer on account of salvage	-	-	4,070,536	-	-	4,070,536
Recoveries in respect of commission	(360,605)	-	-	-	-	(360,605)
Payments in respect of share of premium	(3,240,866)	-	-	-	-	(3,240,866)
Total cash flows	(1,739,136)	-	(3,030,901)	-	-	(4,770,037)
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	(2,220,771)	-	(5,566,720)	(1,055,499)	-	(8,842,990)
Net closing position of re-insurance contract asset / (liability)	(2,220,771)	-	(5,566,720)	(1,055,499)	-	(8,842,990)

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

Transfer from IFRS 4 to IFRS 17 is presented below:

	31.12.2023	31.12.2022	31.12.2021
Reinsurance contract Asset / (Liability)			
Reinsurers' share in unearned premium provision	1,427,242	1,303,515	1,856,308
Due from reinsurers	2,430,243	7,182,951	5,320,616
Reinsurance Payable	(6,813,712)	(10,458,670)	(7,217,804)
Deferred Commission Income	(284,737)	(248,567)	(354,012)
ARC/(LRC) as per IFRS 17	(3,240,964)	(2,220,771)	(394,892)
Reinsurers' share in provisions for claims reported by policyholders (RBNS)	24,016,311	25,526,509	17,895,315
Reinsurers' share in provisions for claims incurred but not reported (IBNR)	(852,066)	(1,055,499)	(706,086)
Subrogation share	(33,709,543)	(31,093,229)	(22,270,928)
AIC/(LIC) as per IFRS 17	(10,545,298)	(6,622,219)	(5,081,699)
Re-Insurance contract assets/(liabilities)	(13,786,262)	(8,842,990)	(5,476,591)

9. OTHER ASSETS

	2023	2022
Loans issued	3,303,163	1,750,206
Allowance for impairment losses	(1,362,777)	(1,331,983)
Net loans issued	1,940,386	418,223
Advances paid	142,624	80,059
Inventory	2,315	61,122
Prepayments to employees	4,446	1,450
Receivable from sale of investment property	87,000	99,000
Other receivables	7,162	7,456
OTHER ASSETS	2,183,933	667,310

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

Issued loans amounted 1,792,195 are collateralized.

As at 31 December, 2023 the company has 10 loans issued (2022: 8), out of which 5 loans are to individuals (2022: 4) and 6 to legal entities (2022: 4). All loan issued are in GEL and interest rate range are from 10% to 20%.

All loans issued; besides three amounted to 1,971,180 GEL are overdue. Loan issued to related parties is 1,919,055 GEL.

The table below analyses changes in the allowance for impairment of loans issued in the period:

	2023	2022
At 1 January	1,331,983	548,990
Charge for the year	30,794	782,993
At 31 December	1,362,777	1,331,983

NOTES (CONTINUED)

10. INVESTMENT PROPERTY

	2023	2022
Land plots	3,827,748	3,153,854
Apartment under construction	87,617	87,617
	<u>3,915,365</u>	<u>3,241,471</u>

Movements of Investments property are presented below:

Balance at 31/12/2022	3,241,471
Purchase	673,894
Balance at 31/12/2023	3,915,365

The property is in Georgia and is not rented out. Investment property includes lands and construction in progress and no depreciation expense is charged. Investment property amounted 712,394 is pledged as collateral against the loan received from Gazelle finance Georgia.

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

11. PROPERTY AND EQUIPMENT

	Building	Right-of-use assets	Computers and other technical equipment	Furniture and office equipment	Vehicles	Leasehold imp. and other	Total
Cost							
At 31 Dec 2021	3,086,811	1,879,281	942,057	516,343	111,536	1,055,026	7,591,054
Additions	2,087	-	233,259	77,975	35,375	69,046	417,742
Disposals	-	-	(1,115)	-	-	(2,350)	(3,465)
At 31 Dec 2022	3,088,898	1,879,281	1,174,201	594,318	146,911	1,121,723	8,005,331
Additions	54,645	843,355	145,011	113,665	-	50,586	1,207,262
Disposals	(54,645)	-	(59,860)	(404)	-	(17)	(114,926)
At 31 Dec 2023	3,088,898	2,722,636	1,259,352	707,579	146,911	1,172,292	9,097,668
Accumulated depreciation							
At 31 Dec 2021	-	1,016,108	514,021	323,089	38,455	421,630	2,313,303
Depreciation for the period	123,472	495,077	160,560	73,093	18,461	199,810	1,070,473
Disposals	-	-	-	-	-	-	-
At 31 Dec 2022	123,472	1,511,185	674,581	396,182	56,916	621,440	3,383,776
Depreciation for the period	123,556	536,786	126,673	94,270	18,498	161,285	1,061,068
Disposals	-	-	(3,067)	-	-	-	(3,067)
At 31 Dec 2023	247,028	2,047,971	798,187	490,452	75,414	782,725	4,441,777
Net carrying amount							
At 31 Dec 2021	3,086,811	863,173	428,036	193,254	73,081	633,396	5,277,751
At 31 Dec 2022	2,965,426	368,096	499,620	198,136	89,995	500,283	4,621,555
At 31 Dec 2023	2,841,870	674,665	461,165	217,127	71,497	389,567	4,655,891

NOTES (CONTINUED)

12. INSURANCE CONTRACT LIABILITY / (ASSET) MEASURED UNDER PAA APPROACH

Particulars	INSURANCE CONTRACT LIABILITY / (ASSET) MEASURED UNDER PAA APPROACH 31-Dec-23					Insurance contract liability / (asset)
	Liability / (Asset) for remaining coverage		Liability / (Asset) for incurred claims		Risk Adjustment of non-financial risk	
	Excluding Loss Component	Loss Component	PV of future cash flows			
Opening insurance contract assets as at 01/01	-	-	-	-	-	-
Opening insurance contract liabilities as at 01/01	2,878,349	-	(821,695)	3,629,686	-	5,686,340
Net opening position of insurance contracts	2,878,349	-	(821,695)	3,629,686	-	5,686,340
Insurance Revenue / (Expenses)	(84,570,855)	-	(9,986,260)	-	-	(94,557,115)
Incurred claims and other expenses	-	-	74,384,625	-	-	74,384,625
Impairment of assets for insurance acquisition cashflows	107,983	-	-	-	-	107,983
Changes in estimate relate to past service	-	-	(3,329,124)	-	-	(3,329,124)
Changes to liabilities for incurred claims	-	-	-	397,443	-	397,443
Impact of foreign exchange	570,173	-	-	-	-	570,173
Discounting impact	-	-	92,697	(160,516)	-	(67,819)
Insurance finance expense	-	-	989,912	-	-	989,912
Amortization of insurance acquisition cash flows	5,557,320	-	-	-	-	5,557,320
Insurance service (Revenue)/Expenses	6,235,476	-	72,138,110	236,927	-	78,610,513
Total changes in statement of profit and loss and OCI	(78,135,379)	-	62,151,850	236,927	-	(15,746,602)
Premiums received	84,436,701	-	-	-	-	84,436,701
Claims and other expenses paid	-	-	(74,358,527)	-	-	(74,358,527)
Net Cash Recoveries from salvage	-	-	6,482,401	-	-	6,482,401
Acquisition cost paid	(5,636,554)	-	-	-	-	(5,636,554)
Total cash Inflows/(Outflows)	78,800,147	-	(67,876,126)	-	-	10,924,021
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	3,543,117	-	(6,545,971)	3,866,613	-	863,759
Net closing position of insurance liabilities / (asset)	3,543,117	-	(6,545,971)	3,866,613	-	863,759

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

Particulars	INSURANCE CONTRACT LIABILITY / (ASSET) MEASURED UNDER PAA APPROACH 31- Dec-22					Insurance contract liability / (asset)
	Liability/(Asset) for remaining coverage		Liability/(Asset) for incurred claims		Risk Adjustment of non- financial risk	
	Excluding Loss Component	Loss Component	PV of future cash flows			
Opening insurance contract assets as at 01/01	-	-	-	-	-	-
Opening insurance contract liabilities as at 01/01	831,899	-	(292,298)	3,033,862	-	3,573,463
Net opening position of insurance contracts	831,899	-	(292,298)	3,033,862	-	3,573,463
Insurance Revenue	(65,561,473)	-	(16,704,527)	-	-	(82,266,000)
Incurring claims and other expenses	-	-	54,473,144	-	-	54,473,144
Impairment of assets for insurance acquisition cashflows	2,580,974	-	-	-	-	2,580,974
Changes in estimate relate to past service	-	-	7,973,333	-	-	7,973,333
Changes to liabilities for incurred claims	-	-	-	208,346	-	208,346
Impact of foreign exchange	631,559	-	-	-	-	631,559
Discounting impact	-	-	(223,766)	387,478	-	163,712
Insurance finance expense	-	-	766,146	-	-	766,146
Amortization of insurance acquisition cash flows	4,972,999	-	-	-	-	4,972,999
Insurance service (Revenue) / Expenses	8,185,532	-	62,988,857	595,824	-	71,770,213
Total changes in statement of profit and loss and OCI	(57,375,941)	-	46,284,330	595,824	-	(10,495,787)
Premiums received	64,289,404	-	-	-	-	64,289,404
Claims and other expenses paid	-	-	(54,473,145)	-	-	(54,473,145)
Net Cash Recoveries from salvage	-	-	7,659,418	-	-	7,659,418
Acquisition cost paid	(4,867,013)	-	-	-	-	(4,867,013)
Total cash Inflows / (Outflows)	59,422,391	-	(46,813,727)	-	-	12,608,664
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	2,878,349	-	(821,695)	3,629,686	-	5,686,340
Net closing position of insurance liabilities / (asset)	2,878,349	-	(821,695)	3,629,686	-	5,686,340

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

Transfer from IFRS 4 to IFRS 17 is presented below:

	31.12.2023	31.12.2022	31.12.2021
Insurance contract liabilities / (asset)			
Unearned premium provision	38,418,275	32,799,616	25,757,479
Due from policyholders	(41,216,630)	(36,233,990)	(28,551,340)
Less-Allowances for impairment	6,067,975	5,959,992	3,379,018
Deferred acquisition costs	(2,449,439)	(2,458,473)	(2,230,539)
Commission Payable	2,722,937	2,811,205	2,477,283
LRC / (ARC) as per IFRS 17	3,543,118	2,878,350	831,901
Subrogation Receivables	(39,374,810)	(35,870,951)	(26,825,842)
Provisions for claims reported by policyholders (RBNS)	32,828,839	35,049,256	26,533,544
Provisions for claims incurred but not reported (IBNR)	3,866,612	3,629,685	3,033,860
LIC / (IAC) as per IFRS 17	(2,679,359)	2,807,990	2,741,562
Insurance contract liabilities / (asset)	863,759	5,686,340	3,573,463

13. BORROWINGS

	2022	2022
Procredit Bank JSC	2,354,860	2,354,856
Gazelle Finance Georgia LLC	38,466	54,674
Borrowings	2,393,326	2,409,530
Lease liabilities	849,349	388,722
Borrowings and lease liabilities	3,242,675	2,798,252

The lease liability includes the leases calculated according to IFRS 16. The company has leased offices in Tbilisi and in different regions.

The borrowing from gazelle finance Georgia is secured by part of investment property.

Interest of the loan from Procredit Bank JSC is from 12.5% to 13.9% for loan in GEL. These rates are used for discounting of lease payments to measure lease liabilities.

Interest are paid monthly and principal shall be paid till maturity date. The borrowings shall mature between 2024 to 2025 year.

There is no material difference between the carrying amount and the fair value of the Company's borrowings.

14. TRADE AND OTHER PAYABLES

	2023	2022
Payable to the State Supervisor	679,346	491,253
Payables to suppliers	512,350	594,275
Accruals for employee compensation	1,129,792	936,888
Deposits received to secure suretyships	2,732,322	2,237,592
Advances received	723,230	254,911
Taxes payable	38,632	1,981
Other payables	983,832	2,057
Trade and other payables	6,799,504	4,518,957

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

NOTES (CONTINUED)

15. SHARE CAPITAL

From the Company's authorized share capital of GEL 15,000,000 (1,500,000 ordinary shares with a nominal value of GEL 10 each), GEL 9,128,050 (2022: GEL 9,128,050) is fully paid. Ordinary shareholders are presented in Note 1.

16. RISK MANAGEMENT

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

Governance framework

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

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

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

Capital management objectives, policies and approach

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

The capital management objectives are:

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

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

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

NOTES (CONTINUED)

Approach to capital management

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

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

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

Capital Management

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

- Compliance with the requirements of Insurance State Supervision Services of Georgia;
- Maintaining the composition and structure of the assets accepted to cover insurance liabilities, when due and to exceed regulatory requirements; and
- Maintaining the required level of stability of the Company thereby providing a degree of security to policyholders.

Regulatory Requirements

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

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

Spry - Solvency ratio calculated by the premium method;

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

As of 31 December 2023, Regulatory Solvency Margin is 13,624,181 GEL.

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

The Company is not in compliance with regulatory capital requirement as required by insurance laws applicable in state of Georgia. Deficit in supervisory capital at 31 December 2023, is 3,722,303 GEL in solvency requirements and 10,146,484 in minimum capital requirements.

The company has sold a significant portion of its portfolio to another company. As a result, the capital requirements will be adjusted accordingly. This transaction will impact the company's compliance with the regulatory capital requirements as dictated by the Insurance State Supervision Service of Georgia (ISSSG).

According to supervisory report Submitted subsequent period, Company is in compliance with regulatory capital requirement as required by insurance laws applicable in state of Georgia. Surplus in supervisory capital at the end of May 2024, is 13,007,542 GEL in solvency requirements and 18,511,758 in minimum capital requirements.

16.1. Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that actual claims and

NOTES (CONTINUED)

benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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

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

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

Insurance risk management

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, for example hurricanes, earthquakes and flood damages.

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

16.2. Financial risks

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

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

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

- Minimise interest rate, currency and price risks for all kinds of transactions

NOTES (CONTINUED)

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

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

	<u>31.12.2023</u>	<u>31.12.2022</u>
Financial assets		
Other assets	2,183,933	667,310
Amount due from credit institutions	12,323,133	12,107,278
Cash and cash equivalents	10,178,552	7,111,223
	<u>24,685,618</u>	<u>19,885,811</u>
Insurance contract liabilities		
Insurance contract liabilities	863,759	5,686,340
Re-Insurance contract liabilities	13,786,262	8,842,990
Financial liabilities		
Borrowings and lease liability	3,242,675	2,798,252
Trade and other payables	6,799,504	4,518,957
	<u>24,692,200</u>	<u>21,846,539</u>

Credit risk

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

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

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

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

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

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

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

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

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

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

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

	<u>31.12.2023</u>	<u>31.12.2022</u>
Financial assets		
Other assets	2,183,933	667,310
Amount due from credit institutions	12,323,133	12,107,278
Cash and cash equivalents	10,178,552	7,111,223
	<u>24,685,618</u>	<u>19,885,811</u>

Liquidity risk - maturity analysis

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

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

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

Liquidity position as at 31 December 2023

31.12.2023	<u>Up to 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial assets				
Other assets	2,183,933	-	-	2,183,933
Amount due from credit institutions	12,323,133	-	-	12,323,133
Cash and cash equivalents	10,178,552	-	-	10,178,552
	<u>24,685,618</u>	<u>-</u>	<u>-</u>	<u>24,685,618</u>
Insurance contract liabilities				
Insurance contract liabilities	863,759	-	-	863,759
Re-Insurance contract liabilities	13,786,262	-	-	13,786,262
Financial liabilities				

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

Borrowings and lease liability	3,242,675	-	-	3,242,675
Trade and other payables	6,799,504	-	-	6,799,504
	<u>24,692,200</u>	<u>-</u>	<u>-</u>	<u>24,692,200</u>
Net Position	<u>(6,582)</u>	<u>-</u>	<u>-</u>	<u>(6,582)</u>

Liquidity position as at 31 December 2022:

31.12.2022	Up to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets				
Other assets	667,310	-	-	667,310
Amount due from credit institutions	12,107,278	-	-	12,107,278
Cash and cash equivalents	7,111,223	-	-	7,111,223
	<u>19,885,811</u>	<u>-</u>	<u>-</u>	<u>19,885,811</u>
Insurance contract liabilities				
Insurance contract liabilities	5,686,340	-	-	5,686,340
Re-Insurance contract liabilities	8,842,990	-	-	8,842,990
Financial liabilities				
Borrowings and lease liability	2,798,252	-	-	2,798,252
Trade and other payables	4,518,957	-	-	4,518,957
	<u>21,846,539</u>	<u>-</u>	<u>-</u>	<u>21,846,539</u>
Net Position	<u>(1,960,728)</u>	<u>-</u>	<u>-</u>	<u>(1,960,728)</u>

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

Guarantee contracts are appropriately secured.

Market risk

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

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

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

NOTES (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Company is not exposed interest rate risk.

Foreign currency risk

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

Financial assets by currency

31.12.2023

	<u>GEL</u>	<u>USD</u>	<u>EUR</u>	<u>Total</u>
Financial assets				
Other assets	2,183,933	-	-	2,183,933
Amount due from credit institutions	3,176,986	8,815,944	330,203	12,323,133
Cash and cash equivalents	9,996,178	182,374	-	10,178,552
	<u>15,357,097</u>	<u>8,998,318</u>	<u>330,203</u>	<u>24,685,618</u>
Insurance contract liabilities				
Insurance contract liabilities	(4,723,057)	4,850,234	736,582	863,759
Re-Insurance contract liabilities	13,518,102	73,656	194,504	13,786,262
Financial liabilities				
Borrowings and lease liability	2,393,327	849,348	-	3,242,675
Trade and other payables	6,799,504	-	-	6,799,504
	<u>17,987,876</u>	<u>5,773,238</u>	<u>931,086</u>	<u>24,692,200</u>
	<u>(2,630,779)</u>	<u>3,225,080</u>	<u>(600,883)</u>	

31.12.2022

	<u>GEL</u>	<u>USD</u>	<u>EUR</u>	<u>Total</u>
Financial assets				
Other assets	667,310	-	-	667,310
Amount due from credit institutions	4,308,984	7,798,294	-	12,107,278
Cash and cash equivalents	4,695,273	1,159,391	1,256,559	7,111,223
	<u>9,671,567</u>	<u>8,957,685</u>	<u>1,256,559</u>	<u>19,885,811</u>
Insurance contract liabilities				
Insurance contract liabilities	738,052	4,423,621	524,667	5,686,340
Re-Insurance contract liabilities	8,554,746	288,244	-	8,842,990
Financial liabilities				
Borrowings and lease liability	2,409,529	388,723	-	2,798,252
Trade and other payables	4,518,957	-	-	4,518,957
	<u>16,221,284</u>	<u>5,100,588</u>	<u>524,667</u>	<u>21,846,539</u>
	<u>(6,549,717)</u>	<u>3,857,097</u>	<u>731,892</u>	

Sensitivity analysis

A 10% increase / (decrease) in the exchange rate of GEL/USD would increase / cut profits after tax by 322,508/ (322,508) GEL (2022: GEL 385,709/ (385,709)).

A 10% increase / (decrease) in the exchange rate of GEL/EUR would increase / cut profits by (60,088)/ 60,088 GEL (2022: GEL 73,189 / (73,189)).

NOTES (CONTINUED)

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. A portfolio of financial assets and liabilities that are not traded in an active market is measured at the fair value using valuation techniques. The selected measurement method uses observable market data, minimally based on non-market data and considers all the factors that market participants have taken into consideration when determining price. The best evidence of the fair value of a certain financial instrument at initial recognition is the price of the transaction, the fair value of the consideration paid or received.

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

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

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

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

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

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

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

17. RELATED PARTY TRANSACTIONS

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

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

NOTES (CONTINUED)

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

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

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

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

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

Only material transactions with related parties were loans issued GEL 1,919,055 as of 31-12-2023 and GEL 418,228 as of 31-12-2022 and corresponding interest income GEL 38,658 for 2023 and GEL 321,033 for 2022.

Compensation of key management personnel was as follows:

	2023	2022
Key management salary	989,881	989,881
Key management commission	20,778	20,778

18. CONTINGENCY(IES) AND COMMITMENT(S)

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

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

19. EVENTS AFTER REPORTING DATE

Selling of Portfolio

At the end of April 2024, JSC Ardi Insurance executed a significant transaction by selling its portfolio, excluding suretyships and MTPL. This sale included all assets and liabilities associated with the portfolio, as well as the brand name, logo, and other related intangible assets. This strategic move was aimed at restructuring the company's operations and focusing on its core business areas.

Following this transaction, the company officially changed its name from JSC Ardi Insurance to JSC Insurance Company Autograph. This name change was duly registered with the National Agency of Public Registry (NAPR). This rebranding reflects the company's new strategic direction and commitment to its ongoing operations under the new corporate identity.

This event is not considered an adjusting event for the financial statements as of December 31, 2023, in accordance with International Standard on Auditing (ISA) 560. According to ISA 560, adjusting events are those that provide additional evidence of conditions that existed at the end of the reporting period and require adjustments to the amounts recognized in the financial statements.

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

The sale of the portfolio and the subsequent name change occurred after the reporting period, specifically at the end of April 2024. The complexities of the transaction, including the need for various approvals and the finalization of sale terms, were only resolved after year-end. These factors indicate that the conditions necessitating the certainty of the sale and rebranding did not exist as of December 31, 2023.

Furthermore, the uncertainties related to the transaction, such as negotiation outcomes and other approvals, were not finalized until the balance sheet date. Therefore, this event does not provide additional evidence about conditions that existed at the end of the reporting period. Consequently, it is classified as a non-adjusting event, as it provides information about conditions that arose subsequent to the reporting period. This classification ensures compliance with the requirements of ISA 560.

Following is the class of assets/ (disposal group) that was held for sale as on 31 December 2023 and sold subsequently. The expected revised position of SOFP and SOCI is disclosed below as well; Sold and remaining balances per its shares are presented below:

ASSETS	2023		
	Sold	Remaining	Total
Property and equipment	-	4,655,891	4,655,891
Intangible assets	-	369,376	369,376
Investment property	-	3,915,365	3,915,365
Other assets	-	2,183,933	2,183,933
Amounts due from credit institutions	-	12,323,133	12,323,133
Cash and cash equivalents	-	10,178,552	10,178,552
TOTAL ASSETS	-	33,626,250	33,626,250
LIABILITIES			
Borrowings and lease liability	-	3,242,675	3,242,675
Trade and other payables	-	6,799,504	6,799,504
Deferred tax liability	-	69,875	69,875
Current income tax	-	285,600	285,600
Re-Insurance contract liabilities	414,639	13,371,623	13,786,262
Insurance contract liabilities	12,819,541	(11,955,782)	863,759
TOTAL LIABILITIES	13,234,180	11,813,495	25,047,675

Transfer from IFRS 4 to IFRS 17 for 2023 is presented below:

	Sold	Remaining	Total
Insurance contract liabilities / (asset)			
Unearned premium provision	37,876,616	541,658	38,418,274
Due from policyholders	(34,788,796)	(359,859)	(35,148,655)
Less-Allowances for impairment	-	-	-
Deferred acquisition costs	(2,400,055)	(49,384)	(2,449,439)
Commission Payable	2,722,937	-	2,722,937
LRC / (ARC) as per IFRS 17	3,410,702	132,415	3,543,117
Subrogation Receivables	(253,784)	(39,121,026)	(39,374,810)
Provisions for claims reported by policyholders (RBNS)	6,055,177	26,773,662	32,828,839
Provisions for claims incurred but not reported (IBNR)	3,607,446	259,166	3,866,612

JSC INSURANCE COMPANY AUTOGRAPH
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES (CONTINUED)

LIC / (IAC) as per IFRS 17	9,408,839	(12,088,198)	(2,679,359)
Insurance contract liabilities / (asset)	12,819,541	(11,955,783)	863,758
Reinsurance contract (Liabilities) / Asset			
Reinsurers' share in unearned premium provision	1,264,878	162,364	1,427,242
Due from reinsurers	1,762,624	667,619	2,430,243
Reinsurance Payable	(2,613,543)	(4,200,169)	(6,813,712)
Deferred Commission Income	(245,344)	(39,393)	(284,737)
ARC/(LRC) as per IFRS 17	168,615	(3,409,579)	(3,240,964)
Reinsurers' share in provisions for claims reported by policyholders (RBNS)	98,210	23,918,101	24,016,311
Reinsurers' share in provisions for claims incurred but not reported (IBNR)	(681,464)	(170,602)	(852,066)
Subrogation share	-	(33,709,543)	(33,709,543)
AIC/(LIC) as per IFRS 17	(583,254)	(9,962,044)	(10,545,298)
Re-Insurance contract assets/(Liabilities)	(414,639)	(13,371,623)	(13,786,262)

As discussed above, the company sold a portion of its portfolio. The impact on profit and loss is detailed below. For fair presentation purposes, administrative expenses and other income and expenses were not transferred with the portfolio. Instead, these items were allocated proportionally based on the insurance revenue for 2023:

	Discontinued Operations	Continued Operations	Total
Insurance revenue	82,717,664	11,639,451	94,357,115
Insurance service expenses	(79,734,671)	(12,086,054)	(91,820,725)
Insurance service result before reinsurance contracts held	2,982,993	(446,603)	2,536,390
Income from re-insurance contract held	1,499,221	7,124,211	8,623,432
Expenses of reinsurance contracts held	(2,027,777)	(8,639,112)	(10,666,889)
Net expense from reinsurance contracts held	(528,556)	(1,514,901)	(2,043,457)
Insurance service result	2,454,437	(1,961,504)	492,933
Net investment income	-	898,823	898,823
Exchange Gan / (Loss) on financial assets	-	296,453	296,453
Impairment and write off expense	(26,996)	(3,798)	(30,794)
Financial expenses	(260,663)	(729,249)	(989,912)
Finance income / (expenses) from reinsurance contracts, net	(51,277)	2,087,783	2,036,507
Net financial result	2,115,501	588,508	2,704,010
Other income	-	-	-
Profit / (Loss) before tax	2,115,501	588,508	2,704,010
Income tax expense	-	(56,879)	(56,879)
Profit / (Loss) for the year	2,115,501	531,629	2,647,131
Other Comprehensive Income for the year	-	-	-
Total Comprehensive Income for the year	2,115,501	531,629	2,647,131