

JSC ARDI Insurance

Financial statements

*For the year ended 31 December 2024
Together with the Independent Auditor's Report*

Independent auditor's report

Statement of financial position	1
Statement of profit or loss and other comprehensive income.....	2
Statement of changes in equity	3
Statement of cash flows.....	4

Notes to the separate financial statements

1. Principal activities	5
2. Basis of preparation.....	5
3. Summary of material accounting policies	5
4. Material accounting judgements and estimates.....	14
5. Business Combination and acquisition of an investment to joint operation	16
6. Cash and cash equivalents	17
7. Bank deposits.....	17
8. Insurance and reinsurance contracts	18
9. Loan issued.....	26
10. Right-of-use assets and Lease liabilities	26
11. Property and equipment.....	27
12. Goodwill and other intangible assets	28
13. Other assets.....	28
14. Other liabilities.....	28
15. Investment result	29
16. Salaries and other employee benefits.....	29
17. Share-Based Payment Arrangements	29
18. General and administrative expenses.....	30
19. Depreciation and amortization expenses	30
20. Taxation.....	30
21. Equity.....	31
22. Commitments and contingencies.....	31
23. Risk and capital management	32
24. Fair value measurement	36
25. Related party transactions	37
26. Events after reporting period	38

Independent auditor's report

To the Shareholders and the Supervisory Board of Ardi Insurance JSC

Opinion

We have audited the financial statements of Ardi Insurance JSC (hereinafter, the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other information included in the Company's 2024 Management Report

Other information consists of the information included in the Company's 2024 Management Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2024 Management Report is expected to be made available to us after the date of this auditor's report.

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

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.

Responsibilities of management and the Supervisory Board for the financial statements

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

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

The Supervisory Board is 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 the Supervisory Board 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.



Dmytro Iurgelevych (SARAS-A-644274)

On behalf of EY LLC (SARAS-F-855308)

14 April 2025

Tbilisi, Georgia

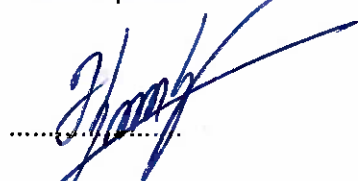
Statement of financial position**As at 31 December 2024***(In thousands of GEL)*

	Notes	31 December 2024	31 December 2023
Assets			
Cash and cash equivalents	6	8,483	–
Bank deposits	7	19,562	–
Insurance contract asset	8	–	–
Reinsurance contract asset	8	1,074	–
Loans issued	9	3,091	–
Right-of-use assets	10	967	–
Property and equipment	11	500	–
Intangible assets	12	968	–
Goodwill	12	16,524	–
Other assets	13	696	–
Total assets		51,865	–
Equity and Liabilities			
Equity			
Share capital – ordinary shares		3,088	–
Share capital – preferred shares		3,000	–
Share premium		25,250	–
Retained earnings		4,360	–
Total equity	21	35,698	–
Liabilities			
Insurance contract liability	8	12,234	–
Reinsurance contract liability	8	1,167	–
Lease liabilities	10	1,007	–
Other liabilities	14	1,759	–
Total liabilities		16,167	–
Total liabilities and equity		51,865	–

Signed and authorized for release on behalf of the Management Board of JSC ARDI Insurance:

General Director

Mikheil Japaridze



14 April 2025

Tbilisi, Georgia

Financial Director

Aleksandre Kavtarashvili



Statement of profit or loss and other comprehensive income**For the year ended 31 December 2024***(In thousands of GEL)*

	Notes	2024	2023
Insurance revenue		61,761	-
Insurance service expense		(47,940)	-
Insurance service result before reinsurance contracts held	8	13,821	-
Allocation of reinsurance premiums		(1,994)	-
Amounts recoverable from reinsurers for incurred claims		877	-
Net expense from reinsurance contracts held	8	(1,117)	-
Other insurance related income/(expense)		-	-
Insurance service result		12,704	-
Interest revenue calculated using effective interest method		1,691	-
Impairment loss on financial assets		(10)	-
Investment result	15	1,681	-
Salaries and other employee benefits	16	(4,833)	-
General and administrative expenses	18	(1,568)	-
Depreciation and amortization expenses	19	(454)	-
Net other operating (expenses) /income		(180)	-
Other expenses		(7,035)	-
Operating profit		7,350	-
Foreign exchange gains		81	-
Interest expense	10	(71)	-
Pre-tax Profit		7,360	-
Income tax expense		-	-
Net profit for the year		7,360	-
Other comprehensive income		-	-
Net profit and total comprehensive income		7,360	-

Signed and authorized for release on behalf of the Management Board of JSC ARDI Insurance:

General Director
Mikheil Japaridze


14 April 2025

Tbilisi, Georgia

Financial Director
Aleksandre Kavtarashvili

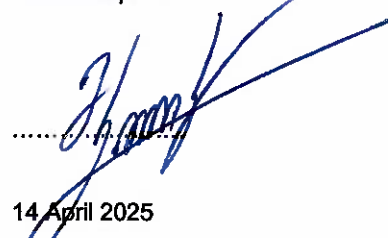

Statement of Changes in Equity**For the year ended 31 December 2024***(In thousands of GEL)*

	Ordinary shares	Preferred shares	Share premium	Retained earnings	Total Equity
3 December 2023 (date of incorporation)	-	-	-	-	-
Net profit and total comprehensive income	-	-	-	-	-
31 December 2023	-	-	-	-	-
Net profit and total comprehensive income	-	-	-	7,360	7,360
Dividends to the shareholders (Note 21)	-	-	-	(3,000)	(3,000)
Issue of ordinary shares (Note 21)	3,088	-	24,727	-	27,815
Issue of preferred shares (Note 21)	-	3,000	-	-	3,000
Share-based payments (Note 17)	-	-	523	-	523
31 December 2024	3,088	3,000	25,250	4,360	35,698

Signed and authorized for release on behalf of the Management Board of JSC ARDI Insurance:

General Director

Mikheil Japaridze



14 April 2025

Tbilisi, Georgia

Financial Director

Aleksandre Kavtarashvili



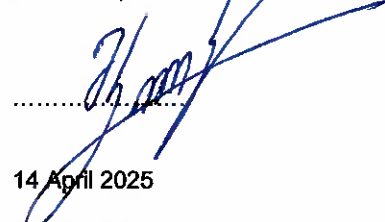
Statement of Cash Flows**For the year ended 31 December 2024***(In thousands of GEL)*

	Notes	2024	2023
Cash flows from operating activities			
Insurance premium received	8	62,378	-
Reinsurance premium paid	8	(952)	-
Insurance benefits and claims paid	8	(42,402)	-
Reinsurance claims received	8	78	-
Acquisition costs paid	8	(3,569)	-
Salaries and benefits paid		(3,893)	-
Interest received	7,15	300	-
Other operating expenses paid		(1,638)	-
Net cash flows from operating activities before income tax		10,302	-
Income tax paid		-	-
Net cash flows from operating activities		10,302	-
Cash flows from (used in) investing activities			
Purchase of premises and equipment		(132)	-
Purchase of intangible assets		(340)	-
Acquisition of a business	5,12	(6,912)	-
Acquisition of interest in joint operation	5,12	(654)	-
Loans issued	9	(3,000)	-
Deposits under guarantee placement	7	(73)	-
Placement of bank deposits	7	(19,700)	-
Proceeds from bank deposits	7	1,500	-
Net cash flows used in investing activities		(29,311)	-
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	21	27,791	-
Proceeds from issuance of preferred shares	21	3,000	-
Dividend paid	21	(3,000)	-
Repayment of lease liabilities	10	(344)	-
Net cash flows from financing activities		27,447	-
Effect of exchange rates changes on cash and cash equivalents		45	-
Net increase in cash and cash equivalents		8,483	-
Cash and cash equivalents at the beginning of the year	6	-	-
Cash and cash equivalents at the end of the year	6	8,483	-

Signed and authorized for release on behalf of the Management Board of JSC ARDI Insurance:

General Director

Mikheil Japaridze



14 April 2025

Tbilisi, Georgia

Financial Director

Aleksandre Kavtarashvili



(In thousands of GEL)

1. Principal activities

ARDI Insurance JSC (the "Company"), identification number 405662242, was established on 3 December 2023 under the laws of Georgia.

As a result of pursuant to a business acquisition agreement, on 1 May 2024, the Company acquired a portion of the insurance portfolio, along with certain rights, obligations, and the brand, from JSC 'Autograph Insurance Company (Note 5).

As of December 31 2024, 95% of the Company's shares are held by JSC A Group (the "Parent"), ultimately owned by Georgia Capital plc, entity incorporated in the United Kingdom and listed at London Stock Exchange, with the remaining 5% owned by Probus Capital. Additionally, JSC A Group held preference shares of GEL 3 million in the Company. As of December 31 2023, 100% of company's shares were held by JSC Insurance Company Autograph, that was ultimately owned by LLC Gazelle Finance Georgia, Armaz Tavadze, Zaza Nishnianidze and other minority shareholders.

The Company's governing body is the Supervisory Board. The Company is headed by: General Director, Financial Director, Business Development Director and Operations Director.

The Company operates within the health, property, and casualty insurance segments. The Company holds the requisite license to provide both life and non-life insurance services in Georgia. Its headquarters are situated in Tbilisi, with additional service centers in Batumi, Poti, and Kutaisi. The Company's registered address is 3 Vazha-Pshavela Avenue, Tbilisi, Georgia.

The Company is a member of a non-profit (non-commercial) legal entity – Compulsory Insurance Center ("the Center") – established in accordance with the legislation of Georgia for the management of compulsory insurance by the 19 insurers participating in the insurance system. In accordance with the legislation, upon the entry of the foreign-registered vehicle into the territory of Georgia, the owner/driver of the vehicle is obliged to provide third party liability insurance for its vehicle during his/her stay in Georgia. The Center's place of operation is Georgia and its purpose is to administer sales and claims settlement processes related to this compulsory insurance. As of 31 December 2024, the Company has 5.26% (31 December 2023: 0%) participating share held in the Center, through which it participates in joint insurance of third-party liability for drivers of the foreign-registered vehicles and recognizes the respective assets, liabilities, income and expenses based on its interest in the Center.

2. Basis of preparation

These financial statements have been prepared 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 2024. The Company did not prepare general purpose financial statements in the prior periods. These are the first IFRS financial statements prepared by the Company. The Company did not apply any exemptions allowed or required by IFRS 1, First-time Adoption of IFRS, in preparing these financial statements.

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

Amounts presented in these financial statements are given in Georgian national currency – Lari (GEL) and are rounded to the nearest thousand unless otherwise stated.

The Company was established on 3 December 2023. Comparative financial information for 2023 is provided in these financial statements for the period from the date of incorporation to 31 December 2023, which might not be comparable with the full year information for the year ended 31 December 2024.

3. Summary of material accounting policies

Insurance and reinsurance contracts

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Company does not issue any contracts with direct participating features.

(In thousands of GEL)

3. Summary of material accounting policies (continued)

Insurance and reinsurance contracts (continued)

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements.

The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management).

IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- ▶ A group of contracts that are onerous at initial recognition (if any);
- ▶ A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any);
- ▶ A group of the remaining contracts in the portfolio (if any).

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- ▶ Pricing information;
- ▶ Results of similar contracts it has recognized;
- ▶ Environmental factors, e.g., a change in market experience or regulations.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- ▶ The beginning of the coverage period of the group of contracts;
- ▶ The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date;
- ▶ For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- ▶ The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held;
- ▶ The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

*(In thousands of GEL)***3. Summary of material accounting policies (continued)****Insurance and reinsurance contracts (continued)*****Contract boundary***

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

Insurance contracts – initial measurement

The Company adopted the Premium Allocation Approach (PAA) method as a simplified approach to the IFRS 17 general model, and applies the PAA to all the insurance contracts that it issues and reinsurance contracts that it holds.

Coverage period for insurance and reinsurance of all business lines assumed is one year or less and so qualifies automatically for PAA. Contracts with coverage period greater than one year are small portion of portfolio and there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- ▶ Plus premiums received in the period;
- ▶ Minus insurance acquisition cash flows;
- ▶ Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the Company;
- ▶ Minus the amount recognised as insurance revenue for the services provided in the period.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- ▶ The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired). Or
- ▶ The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

(In thousands of GEL)

3. Summary of material accounting policies (continued)

Insurance and reinsurance contracts (continued)

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense.

Offsetting

Insurance and reinsurance contract assets and liabilities of major counterparties are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The Company uses two separate methods of insurance revenue recognition. For all its products apart from health insurance all revenue is recognised based on the passage of time. In the case of health insurance, revenue recognition pattern is proportional to pattern of incurring claims. This is because of the uneven release of risk in case of health insurance product.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

Financial assets and liabilities

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

Measurement categories

The Company classifies financial assets as subsequently measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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

(In thousands of GEL)

3. Summary of material accounting policies (continued)

Financial assets and liabilities (continued)

Financial assets measured at fair value through profit or loss

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the solely payments of principal and interest (SPPI) test criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

Subsequent measurement

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

Impairment of financial assets

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12m ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate effective interest rate (EIR). A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

As the Company does not have its own default and credit loss statistics, it applies peer benchmarks of PD (probability of default) and LGD (loss given default) derived from the reports published by the recognized international rating agencies for estimation of ECL. Resulting ECL is usually immaterial considering the credit quality and maturity of the Company's debt instruments subject to ECL requirements.

The Company allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- ▶ 12mECL – The 12mECL is calculated as the portion of life-time ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within 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 appropriate EIR. This calculation is made for each of the four scenarios, as explained above;
- ▶ LTECL – When an instrument 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, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR;
- ▶ Impairment – For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses. The method is similar to that for LTECL assets, with the PD set at 100%.

(In thousands of GEL)

3. Summary of material accounting policies (continued)

Financial assets and liabilities (continued)

Fair value measurement

The Company measures certain financial instruments, such as derivatives, at fair value at the end of each reporting period. Fair values of financial instruments measured at amortized cost are disclosed in Note 24.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Recognition of interest income

Under IFRS 9, interest income is recorded using the EIR method for all debt financial assets measured at amortised cost and FVOCI.

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset (except in relation to credit-impaired assets, whereby interest income is recognized on their net carrying value after deduction of expected credit losses).

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

Offsetting of financial assets and liabilities

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

Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognised in the profit or loss when the borrowings are derecognised as well as through the amortization process.

Cash and cash equivalents

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

Intangible assets

Intangible assets include computer software, licenses and customer-related intangible assets acquired in a business combination.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives of 1 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

(In thousands of GEL)

3. Summary of material accounting policies (continued)

Intangible assets (continued)

Costs associated with maintaining computer software programs are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognized as intangible assets only when the Company can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognized as an expense as incurred.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met. The carrying values of property and equipment carried at cost are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognized in the profit or loss as other operating expense.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Computer equipment	5
Furniture and office equipment	5–10
Vehicles	10–15
Leasehold improvements	Lease term
Other fixed assets	5–6

The asset's residual value, useful life and methods are reviewed, and adjusted as appropriate, at each financial year end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred (at fair value on the acquisition date) and the amount of any non-controlling interests in the acquiree. The Company classifies and designates financial assets and liabilities assumed in accordance with contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When insurance contracts are acquired in a business combination or through a portfolio transfer meeting the IFRS 3 definition of a business, the fair value of the insurance liabilities (and related assets) is determined in accordance with IFRS 17 and IFRS 13. Any difference between the consideration transferred and the net fair value of identifiable assets and liabilities including insurance liabilities measured under IFRS 17—gives rise to goodwill. Where the insurance contracts have short-duration coverage, the Premium Allocation Approach (PAA) may be applied to measure these liabilities.

Acquisition of Joint Operations that constitutes a business

When the acquisition of an interest in a joint arrangement constitutes a business as defined in IFRS 3, and the arrangement is classified as a joint operation under IFRS 11, the transaction is accounted for using the principles of business combination accounting. The Company recognises its share of the joint operation's identifiable assets and liabilities at their fair values at the acquisition date. Any excess of the consideration transferred over the fair value of the net identifiable assets is recognised as goodwill.

(In thousands of GEL)

3. Summary of material accounting policies (continued)

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated from the acquisition date to each of the Company's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the combination. Goodwill is tested for impairment at least annually, or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss for goodwill is recognized immediately in profit or loss and is not subsequently reversed. On disposal of a CGU, any attributable goodwill is included in calculating the resulting gain or loss.

Leases

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

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

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. In the statement of financial position, right-of-use assets are included in Note 10.

Taxation

The current income tax expense is calculated in accordance with the regulations in force in Georgia.

A new taxation regime for insurance companies in Georgia came into effect on January 1, 2023. From 2023, the Company has been subject to a 0% tax rate on undistributed profits, while corporate income tax is levied only on profits distributed as dividends to individuals. Dividends distributions between Georgian resident companies will not be subject to corporate income tax. Corporate income tax liability is recognised when dividends are declared. Accordingly, no deferred taxes are recognized by the Company, as 0% rate applicable for non-distributed profits is applied for the purposes of deferred tax measurement.

The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of net distribution.

Amendments to the tax legislation of Georgia also provides operations that must be considered as dividend distributions for tax purposes, such as:

- ▶ Transactions executed at non-market prices;
- ▶ Expenses which are not related to business operations;
- ▶ Free delivery of goods and services.

Taxes payable on such transaction is recognized as other operating taxes.

Equity

Share capital

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

(In thousands of GEL)

3. Summary of material accounting policies (continued)

Equity (continued)

Dividends

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

Share-based payments

Senior executives of the Company receive share-based compensation, whereby they render services as consideration for the equity instruments of the Company. All share-based compensation plans announced are equity-settled share-based compensation. The fair value of the awards is measured at grant date and recognized as an expense over the vesting period on a straight-line basis, with adjustments for expected forfeitures. All share-based payment expenses are recognized in profit or loss, with a corresponding increase in equity.

Foreign currency translation

The financial statements are presented in Georgian Lari, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Georgian Lari at official exchange rates declared by the National Bank of Georgia ("NBG") and effective as of the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the profit or loss as foreign exchange and translation (loss)/gain.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBG exchange rate on the date of the transaction are included in foreign exchange and translation (loss)/gain. The official NBG exchange rates were as follows:

	31 December 2024	31 December 2023
1 USD/GEL	2.8068	2.6894
1 EUR/GEL	2.9306	2.9753
Average rate for the year	2024	2023
1 USD/GEL	2.7206	2.6279
1 EUR/GEL	2.9437	2.8416

New standards and interpretations not yet adopted

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

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Company's financial statements.

(In thousands of GEL)

3. Summary of material accounting policies (continued)

New standards and interpretations not yet adopted (continued)

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the financial statements and the notes.

In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the financial statements and notes to the financial statements.

Other standards and interpretations issued but not yet effective are listed below. Those standards are not expected to have an impact on the Company:

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The Company does not expect to be eligible for application of IFRS 19 as it has public accountability as an insurance company.

4. Material accounting judgements and estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company.

Risk adjustment for Non-financial risk

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 is regulated in accordance with the Georgian legislation and has mandatory regulatory capital requirement on a monthly basis. Based on the regulation, the Company is required to hold certain reserves for both financial and non-financial risk. Out of the total regulatory reserve, the Company's management internally allocates 10% to non-financial risks and uses cost of capital approach to account for non-financial risk. The amount of risk adjustment liability as at 31 December 2024 was GEL 240, estimated using cost of capital of 20%.

(In thousands of GEL)

4. Material accounting judgements and estimates (continued)

Liability for remaining coverage

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss–recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held. The Company does not have material portion of onerous contracts as at 31 December 2024.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the 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. Historical claims development is mainly analysed by accident years but can also be further analysed by significant business lines and claim types. 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 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, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, 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 that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Roll–forward of net asset or liability for insurance contracts issued showing the liability for incurred claims is presented in Note 8

Goodwill impairment test

Goodwill recognized from:

- (a) the portfolio acquisition from JSC Autograph Insurance Company (Notes 5,12), amounting to GEL 15,870 as at 31 December 2024, and
- (b) the share in the Border TPL joint operation (Notes 5,12), amounting to GEL 654 as at 31 December 2024, representing two separate cash–generating units, is tested annually for impairment, or more frequently if events or circumstances indicate a decrease in recoverable amount.

Management's impairment analysis involves:

- ▶ Determining the appropriate CGUs to which the goodwill is allocated.
- ▶ Projecting future cash flows (including expected synergies) and selecting an appropriate discount rate.
- ▶ Evaluating whether any deterioration in claims performance or changes in regulation may impact projected cash flows.

If the recoverable amount of any CGU, assessed via either value in use or fair value less costs of disposal, is less than its carrying amount, an impairment loss is recognized, first reducing goodwill and then the remaining net assets on a pro rata basis. Such impairment losses are not reversed in future periods.

Scenarios

Multiple scenarios were used to assess potential variations in operating and market conditions over the next five years:

Base Scenario: Reflects the Board–approved budget covering the period 2025–2029.

Alternative Scenarios: Incorporate different assumptions regarding growth rates, regulatory factors, or cost structures to evaluate the sensitivity of the CGUs.

(In thousands of GEL)

4. Material accounting judgements and estimates (continued)

Discount Rate

19.5% Weighted Average Cost of Capital (WACC) was used to discount the projected cash flows.

Terminal growth rate for the base scenario was 0%.

Sensitivity Analysis

A sensitivity analysis was performed by adjusting key assumptions, including the discount and terminal growth rate. Based on the results of these analyses, the recoverable amounts in all scenarios exceed the carrying amounts of the CGUs, and therefore no impairment has been recognized as of December 31, 2024.

5. Business Combination and acquisition of an investment to joint operation

Acquisition of insurance portfolio

On May 1, 2024, the Company acquired an insurance portfolio from JSC Autograph Insurance Company, which included tangible and intangible assets (including a separately identifiable customer relationship asset), a workforce, and processes for underwriting and customer management. Management judged that these elements constitute an integrated set of activities capable of generating outputs and therefore meet the IFRS 3 criteria for a business combination.

All identifiable assets and liabilities were measured at fair value, with insurance contracts valued using IFRS 17, due to their short-duration coverage, the Premium Allocation Approach (PAA) applied. The acquisition resulted in goodwill of GEL 15,870, reflecting expected synergies, market expansion, and operational efficiencies.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	Total
Reinsurance contract asset	177
Property and equipment (Note 11)	424
Intangible assets (Note 12)	648
Insurance contract liability (Note 8)	(10,161)
Other liabilities	(47)
<i>Acquired net Insurance assets (Note 8)</i>	(9,984)
<i>Fair value of acquired Other Net assets</i>	1,026
Total Net identifiable assets	(8,958)
Consideration paid	6,912
Goodwill	15,870

Intangible assets include customer relationships intangible of GEL 390 recognized as a result of business combinations.

Acquisition of Interest in a Joint Operation

On 1 May 2024, the Company acquired an interest in the Border TPL insurance pool, which was assessed to constitute a business as defined under IFRS 3 Business Combinations, due to the right to participate in future economic benefits arising from existing insurance contracts. The arrangement was determined to be a joint operation in accordance with IFRS 11 Joint Arrangements, as the parties have rights to the assets and obligations for the liabilities of the arrangement. Consideration transferred amounted to GEL 654.

No separate intangible assets were recognized due to the nature of the transaction primarily involving rights to future revenues. As no separately identifiable intangible assets were transferred at the acquisition date, the excess of the consideration transferred over the fair value of the Company's share of identifiable net assets was recognized as goodwill of GEL 654. Any subsequent funding contributions towards the joint operation's capital or operating expenditures are expensed.

(In thousands of GEL)

6. Cash and cash equivalents

Cash and cash equivalents represent current accounts and demand deposits placed in Georgian banks. Credit ratings of cash and cash equivalents as at 31 December 2024 and 2023 are as follows:

Credit rating	31 December 2024	31 December 2023
BB+	3,156	–
BB	2,635	
B	1,633	
BB	1,003	
B+	56	–
Total cash and cash equivalents	8,483	–

The requirement of the Insurance State Supervision Service of Georgia (ISSSG) is to maintain minimum level of cash and cash equivalents at 10% of the insurance contract liabilities subject to reservation as defined by the ISSSG regulatory reserve requirement resolution, which as at the reporting date amounted to GEL 1,285. Expected credit losses were estimated as immaterial as at 31 December 2024.

In 2024 interest income on cash and cash equivalents amounted to GEL 79 (2023: nil) (Note 15).

7. Bank deposits

Bank deposits as at 31 December 2024 and 2023 are as follows:

Credit institutions	Maturity date	Interest rate	Credit rating	Currency	31 December 2024	31 December 2023
Credo Bank	May, 2026	13.00%	B	GEL	4,347	–
Bank of Georgia	May, 2025	10.45%	BB	GEL	3,717	–
TBC Bank	May, 2025	10.80%	BB	GEL	3,724	–
TBC Bank	May, 2026	12.10%	BB	GEL	3,453	–
Credo Bank	May, 2025	11.40%	B	GEL	2,669	–
Liberty bank	June, 2025	10.50%	B+	GEL	1,589	–
TBC Bank	July, 2025	2.00%	BB	GEL	36	–
TBC Bank	September, 2025	2.00%	BB	GEL	21	–
TBC Bank	March, 2026	2.00%	BB	GEL	11	–
TBC Bank	October, 2025	2.00%	BB	GEL	5	–
Less: allowance for impairment (CI)					(10)	–
Total bank deposits					19,562	–

No movement was identified in 2023. A reconciliation is as follows for the year ended 31 December 2024:

	2024
At 1 January	–
Deposits placement	19,700
Proceeds from withdrawal of deposits	(1,500)
Deposits under guarantee placement	73
Interest income	1,520
Interest received	(221)
Allowance for impairment	(10)
At 31 December	19,562

(In thousands of GEL)

8. Insurance and reinsurance contracts

The breakdown of insurance service expenses for the year ended 31 December 2024, by major product lines, is presented below:

Insurance service expenses

	Health	Auto	Property	GTPL	Other	CTPL	Total
Insurance Claims and other expenses	38,490	4,930	199	83	293	174	44,169
Amortization of insurance acquisition cash flows	2,847	583	80	36	225	–	3,771
Total insurance service expense	41,337	5,513	279	119	518	174	47,940

The breakdown of groups of insurance and reinsurance contracts issued, as well as reinsurance contracts held, classified into those in an asset position and those in a liability position as of 31 December 2024, is presented below:

Insurance contracts issued	Assets	Liabilities	Net
Health insurance	–	(9,688)	(9,688)
Auto Insurance	–	(1,676)	(1,676)
Property insurance	–	(304)	(304)
General third-party liability	–	(102)	(102)
Other lines	–	(380)	(380)
Compulsory third party liability	–	(84)	(84)
Total insurance contracts issued	–	(12,234)	(12,234)

Reinsurance contracts held	Assets	Liabilities	Net
Health insurance	–	–	–
Auto insurance	845	(1,167)	(322)
Property insurance	50	–	50
General third-party liability	117	–	117
Other lines	62	–	62
Total reinsurance contracts held	1,074	(1,167)	(93)

(In thousands of GEL)

8. Insurance and reinsurance contracts (continued)**Insurance service expenses (continued)**

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims for the year ended 31 December 2024:

Liabilities for remaining coverage and incurred claims

	Liabilities for incurred claims			
	Liabilities for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows
				Total
Insurance contract liabilities as at 01/01/2024	–	–	–	–
Insurance contract assets as at 01/01/2024	–	–	–	–
Net insurance contract (assets)/liabilities as at 01/01/2024	–	–	–	–
Portfolio acquired under business combination	(3,325)	(6,456)	(199)	(181)
Insurance Revenue (excl. 1% supervisory fee)	62,383	–	–	–
Insurance Service Expenses	–	(44,133)	(36)	(3,771)
Incurred claims and other expenses	–	(44,133)	(36)	–
Amortisation of insurance acquisition cash flows	–	–	–	(3,771)
Insurance service result	62,383	(44,133)	(36)	(3,771)
Effect of movements in exchange rate	132	–	–	(13)
Total change in the statement of comprehensive income	62,515	(44,133)	(36)	(3,784)
Cash flows				
Premiums Received	62,378	–	–	–
Claims settlement	–	(42,402)	–	–
Insurance Acquisition Cash flows	–	–	–	(3,569)
Total Cash flows	62,378	(42,402)	–	(3,569)
Set-off	(553)	291	–	–
Other Movements	–	–	–	34
Insurance contract liabilities as at 31/12/2024	(3,741)	(7,896)	(235)	(362)
Insurance contract assets as at 31/12/2024	–	–	–	–
Net Insurance Contract Assets/Liabilities as at 31/12/2024	(3,741)	(7,896)	(235)	(362)

(In thousands of GEL)

8. Insurance and reinsurance contracts (continued)**Liabilities for remaining coverage and incurred claims (continued)**

	Health Insurance					Auto Insurance				
	Liabilities for incurred claims					Liabilities for incurred claims				
	Liabilities for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows	Total	Liabilities for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities as at 01/01/2024	-	-	-	-	-	-	-	-	-	-
Insurance contract assets as at 01/01/2024	-	-	-	-	-	-	-	-	-	-
Net insurance contract (assets)/liabilities as at 01/01/2024	-	-	-	-	-	-	-	-	-	-
Portfolio acquired under business combination	(1,455)	(5,913)	(182)	(215)	(7,765)	(1,582)	(354)	(11)	69	(1,878)
Insurance Revenue (excl. 1% supervisory fee)	51,779	-	-	-	51,779	6,305	-	-	-	6,305
Insurance Service Expenses	-	(38,442)	(48)	(2,847)	(41,337)	-	(4,938)	8	(583)	(5,513)
Incurred claims and other expenses	-	(38,442)	(48)	-	(38,490)	-	(4,938)	8	-	(4,930)
Amortization of insurance acquisition cash flows	-	-	-	(2,847)	(2,847)	-	-	-	(583)	(583)
Insurance service result	51,779	(38,442)	(48)	(2,847)	10,442	6,305	(4,938)	8	(583)	792
Effect of movements in exchange rate	2	-	-	(22)	(20)	104	-	-	42	146
Total change in the statement of comprehensive income	51,781	(38,442)	(48)	(2,869)	10,422	6,409	(4,938)	8	(541)	938
Cash flows										
Premiums Received	51,928	-	-	-	51,928	6,236	-	-	-	6,236
Claims settlement	-	(36,843)	-	-	(36,843)	-	(5,065)	-	-	(5,065)
Insurance Acquisition Cash flows	-	-	-	(2,795)	(2,795)	-	-	-	(465)	(465)
Total Cash flows	51,928	(36,843)	-	(2,795)	12,290	6,236	(5,065)	-	(465)	706
Set-off	(214)	150	-	-	(64)	(37)	-	-	-	(37)
Other Movements	-	-	-	10	10	-	-	-	5	5
Net Insurance Contract Assets/Liabilities as at 31/12/2024	(1,816)	(7,362)	(230)	(279)	(9,687)	(1,446)	(227)	(3)	(2)	(1,678)
Insurance contract liabilities as at 31/12/2024	(1,816)	(7,362)	(230)	(279)	(9,687)	(1,446)	(227)	(3)	(2)	(1,678)
Insurance contract assets as at 31/12/2024	-	-	-	-	-	-	-	-	-	-
Net Insurance Contract Assets/Liabilities as at 31/12/2024	(1,816)	(7,362)	(230)	(279)	(9,687)	(1,446)	(227)	(3)	(2)	(1,678)

(In thousands of GEL)

8. Insurance and reinsurance contracts (continued)**Liabilities for remaining coverage and incurred claims (continued)**

	General third-party liability					Compulsory Third-party Liability				
	Liabilities for incurred claims					Liabilities for incurred claims				
	Liabilities for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows	Total	Liabilities for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities as at 01/01/2024	-	-	-	-	-	-	-	-	-	-
Insurance contract assets as at 01/01/2024	-	-	-	-	-	-	-	-	-	-
Net insurance contract (assets)/liabilities as at 01/01/2024	-	-	-	-	-	-	-	-	-	-
Portfolio acquired under business combination	(163)	(1)	-	8	(156)	-	-	-	-	-
Insurance Revenue (excl. 1% supervisory fee)	394	-	-	-	394	1,530	-	-	-	1,530
Insurance Service Expenses	-	(83)	-	(36)	(119)	-	(174)	-	-	(174)
Incurred claims and other expenses	-	(83)	-	-	(83)	-	(174)	-	-	(174)
Amortisation of insurance acquisition cash flows	-	-	-	(36)	(36)	-	-	-	-	-
Insurance service result	394	(83)	-	(36)	275	1,530	(174)	-	-	1,356
Effect of movements in exchange rate	4	-	-	3	7	-	-	-	-	-
Total change in the statement of comprehensive income	398	(83)	-	(33)	282	1,530	(174)	-	-	1,356
Cash flows	-	-	-	-	-	-	-	-	-	-
Premiums Received	325	-	-	-	325	1,264	-	-	-	1,264
Claims settlement	-	(81)	-	-	(81)	-	-	-	-	-
Insurance Acquisition Cash flows	-	-	-	(20)	(20)	-	-	-	-	-
Total Cash flows	325	(81)	-	(20)	224	1,264	-	-	-	1,264
Set-off	(6)	-	-	-	(6)	(315)	141	-	-	(174)
Other Movements	-	-	-	2	2	-	-	-	-	-
Insurance contract liabilities as at 31/12/2024	(96)	(3)	-	(3)	(102)	(49)	(33)	-	-	(82)
Insurance contract assets as at 31/12/2024	-	-	-	-	-	-	-	-	-	-
Net Insurance Contract Assets/Liabilities as at 31/12/2024	(96)	(3)	-	(3)	(102)	(49)	(33)	-	-	(82)

(In thousands of GEL)

8. Insurance and reinsurance contracts (continued)**Liabilities for remaining coverage and incurred claims (continued)**

	Property Insurance					Other lines				
	Liabilities for incurred claims					Liabilities for incurred claims				
	Liabilities for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows	Total	Liabilities for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities as at 01/01/2024	-	-	-	-	-	-	-	-	-	-
Insurance contract assets as at 01/01/2024	-	-	-	-	-	-	-	-	-	-
Net insurance contract (assets)/liabilities as at 01/01/2024	-	-	-	-	-	-	-	-	-	-
Portfolio acquired under business combination	(144)	(5)	-	1	(148)	19	(183)	(6)	(44)	(214)
Insurance Revenue (excl. 1% supervisory fee)	773	-	-	-	773	1,602	-	-	-	1,602
Insurance Service Expenses	-	(199)	-	(80)	(279)	-	(297)	4	(225)	(518)
Incurred claims and other expenses	-	(199)	-	-	(199)	-	(297)	4	-	(293)
Amortisation of insurance acquisition cash flows	-	-	-	(80)	(80)	-	-	-	(225)	(225)
Insurance service result	773	(199)	-	(80)	494	1,602	(297)	4	(225)	1,084
Effect of movements in exchange rate	16	-	-	3	19	6	-	-	(39)	(33)
Total change in the statement of comprehensive income	789	(199)	-	(77)	513	1,608	(297)	4	(264)	1,051
Cash flows	-	-	-	-	-	-	-	-	-	-
Premiums Received	817	-	-	-	817	1,808	-	-	-	1,808
Claims settlement	-	(78)	-	-	(78)	-	(335)	-	-	(335)
Insurance Acquisition Cash flows	-	-	-	(42)	(42)	-	-	-	(247)	(247)
Total Cash flows	817	(78)	-	(42)	697	1,808	(335)	-	(247)	1,226
Set-off	24	-	-	-	24	(5)	-	-	-	(5)
Other Movements	-	-	-	3	3	-	-	-	14	14
Insurance contract liabilities as at 31/12/2024	(148)	(126)	-	(31)	(305)	(186)	(145)	(2)	(47)	(380)
Insurance contract assets as at 31/12/2024	-	-	-	-	-	-	-	-	-	-
Net Insurance Contract Assets/Liabilities as at 31/12/2024	(148)	(126)	-	(31)	(305)	(186)	(145)	(2)	(47)	(380)

(In thousands of GEL)

8. Insurance and reinsurance contracts (continued)**Liabilities for remaining coverage and incurred claims (continued)**

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims:

	Assets for remaining coverage Excluding loss-recovery component	Amounts recoverable on incurred claims Estimates of the present value of future cash flows	Total
Reinsurance contract assets as at 01/01/2024	-	-	-
Reinsurance contract liabilities as at 01/01/2024	-	-	-
Net reinsurance contract (assets)/liabilities as at 01/01/2024	-	-	-
Portfolio acquired in a business combination	(323)	500	177
An allocation of reinsurance premiums	(1,994)	-	(1,994)
Amounts recoverable from reinsurers for incurred claims	-	877	877
Amounts recoverable for incurred claims and other expenses	-	831	831
Changes to amounts recoverable for incurred claims	-	46	46
Net income or expense from reinsurance contracts held	(1,994)	877	(1,117)
Effect of movements in exchange rate	(54)	24	(30)
Total change in the statement of comprehensive income	(2,048)	901	(1,147)
Cash flows	-	-	-
Premiums Paid	(952)	-	(952)
Amounts Received	-	78	78
Total Cash flows	(952)	78	(874)
Set-off	480	(477)	3
Reinsurance contract assets as at 31/12/2024	228	846	1,074
Reinsurance contract liabilities as at 31/12/2024	(1,167)	-	(1,167)
Net Reinsurance Contract Assets/Liabilities as at 31/12/2024	(939)	846	(93)

(In thousands of GEL)

8. Insurance and reinsurance contracts (continued)**Liabilities for remaining coverage and incurred claims (continued)**

	Auto reinsurance			Property reinsurance		
	Assets for remaining coverage	Amounts recoverable on incurred claims		Assets for remaining coverage	Amounts recoverable on incurred claims	
	Excluding loss-recovery component	Estimates of the present value of future cash flows	Total	Excluding loss-recovery component	Estimates of the present value of future cash flows	Total
Reinsurance contract assets as at 01/01/2024	-	-	-	-	-	-
Reinsurance contract liabilities as at 01/01/2024	-	-	-	-	-	-
Net reinsurance contract (assets)/liabilities as at 01/01/2024	-	-	-	-	-	-
Portfolio acquired under business combination	(408)	500	92	(3)	-	(3)
An allocation of reinsurance premiums	(1,253)	-	(1,253)	(408)	-	(408)
Amounts recoverable from reinsurers for incurred claims	-	799	799	-	-	-
Amounts recoverable for incurred claims and other expenses	-	753	753	-	-	-
Changes to amounts recoverable for incurred claims	-	46	46	-	-	-
Net income or expense from reinsurance contracts held	(1,253)	799	(454)	(408)	-	(408)
Effect of movements in exchange rate	(40)	24	(16)	(21)	-	(21)
Total change in the statement of comprehensive income	(1,293)	823	(470)	(429)	-	(429)
Cash flows						
Premiums Paid	(57)	-	(57)	(480)	-	(480)
Total Cash flows	(57)	-	(57)	(480)	-	(480)
Set-off	477	(477)	-	2	-	2
Reinsurance contract assets as at 31/12/2024	-	846	846	50	-	50
Reinsurance contract liabilities as at 31/12/2024	(1,167)	-	(1,167)	-	-	-
Net Reinsurance Contract Assets/Liabilities as at 31/12/2024	(1,167)	846	(321)	50	-	50

(In thousands of GEL)

8. Insurance and reinsurance contracts (continued)**Liabilities for remaining coverage and incurred claims (continued)**

	General third-party liability		Total	Other lines		Total
	Assets for remaining coverage	Amounts recoverable on incurred claims		Assets for remaining coverage	Amounts recoverable on incurred claims	
	Excluding loss-recovery component	Estimates of the present value of future cash flows		Excluding loss-recovery component	Estimates of the present value of future cash flows	
Reinsurance contract assets as at 01/01/2024	-	-	-	-	-	-
Reinsurance contract liabilities as at 01/01/2024	-	-	-	-	-	-
Net reinsurance contract (assets)/liabilities as at 01/01/2024	-	-	-	-	-	-
Portfolio acquired under business combination	53	-	53	35	-	35
An allocation of reinsurance premiums	(128)	-	(128)	(205)	-	(205)
Amounts recoverable from reinsurers for incurred claims	-	78	78	-	-	-
Amounts recoverable for incurred claims and other expenses	-	78	78	-	-	-
Net income or expense from reinsurance contracts held	(128)	78	(50)	(205)	-	(205)
Effect of movements in exchange rate	(12)	-	(12)	19	-	19
Profit Commission	-	-	-	-	-	-
Total change in the statement of comprehensive income	(140)	78	(62)	(186)	-	(186)
Cash flows						
Premiums Paid	(202)	-	(202)	(213)	-	(213)
Amounts Received	-	78	78	-	-	-
Total Cash flows	(202)	78	(124)	(213)	-	(213)
Set-off	2	-	2	(1)	-	(1)
Reinsurance contract assets as at 31/12/2024	117	-	117	61	-	61
Reinsurance contract liabilities as at 31/12/2024	-	-	-	-	-	-
Net Reinsurance Contract Assets/Liabilities as at 31/12/2024	117	-	117	61	-	61

(In thousands of GEL)

9. Loan issued

As part of the portfolio acquisition agreement, following the signing of the purchase agreement of business and upon Mr. Armaz Tavadze reaching a 51% shareholding in JSC Insurance Company Autograph, the Company issued a loan to Mr. Armaz Tavadze and LTD Autograph Investment. These loans are collateralized by 51% of the shares in JSC Insurance Company Autograph.

Issued loans at 31 December 2024 and 2023 are as follows:

	Maturity date	Interest rate	Currency	31 December 2024	31 December 2023
		NBG			
Loan issued to a legal entity	Sept, 2027	ref+3.5%	GEL	2,680	–
		NBG			
Loan issued to an individual	Sept, 2027	ref+3.5%	GEL	412	–
Total				3,092	–
Less: allowance for impairment =				(1)	–
Total loan issued				3,091	–

A reconciliation is as follows for the year ended 31 December 2024:

	2024
At 1 January	–
Issuance	3,000
Interest income	92
Allowance for impairment	(1)
At 31 December	3,091

10. Right-of-use assets and Lease liabilities

In 2024, the Company entered into new lease agreements with a third party for its office buildings. The lease term is 2–4 years, and the lease payments are denominated in USD.

The movements in lease liabilities were as follows:

	2024	2023
As at 1 January	–	–
Additions	1,334	–
Interest expense on lease liabilities	71	–
Other movements	(107)	–
Repayment of lease liabilities	(344)	–
Foreign exchange rate movements	53	–
As at 31 December	1,007	–

(In thousands of GEL)

10. Right-of-use assets and Lease liabilities (continued)

Right-of-use assets as at 31 December 2024 and 2023 are as follows

	Right-of-use assets (buildings)
Gross book value	
03-Dec-23	-
31-Dec-23	-
Additions	1,334
31-Dec-24	1,334
Accumulated depreciation	
03-Dec-23	-
31-Dec-23	-
Depreciation charge	(367)
31-Dec-24	(367)
Net book value	
31-Dec-23	-
31-Dec-24	967

11. Property and equipment

Movements in property and equipment for the years ended 31 December 2024 and 2023 are as follows:

	Computer equipment	Vehicles	Furniture and office equipment	Leasehold improvements	Total
Gross book value					
3 December 2023	-	-	-	-	-
31 December 2023	-	-	-	-	-
Acquisition in a business combination (Note 5)	313	56	55	-	424
Additions	59	53	38	2	152
Disposals	(11)	(10)	(8)	-	(29)
31 December 2024	361	99	85	2	547
Accumulated depreciation					
3 December 2023	-	-	-	-	-
31 December 2023	-	-	-	-	-
Depreciation charge	(36)	(4)	(7)	-	(47)
Disposals	-	-	-	-	-
31 December 2024	(36)	(4)	(7)	-	(47)
Net book value					
31 December 2023	-	-	-	-	-
31 December 2024	325	95	78	2	500

No property and equipment are pledged as collateral as at 31 December 2024 and 2023.

The Company does not have fully depreciated property and equipment that is still in use in the Company as at 31 December 2024 and 2023.

(In thousands of GEL)

12. Goodwill and other intangible assets

Goodwill and other intangible assets as at 31 December 2024 and 2023 are as follows:

	Goodwill	Computer software	Customer relationship asset	Other intangible assets	Total
Gross book value					
3 December 2023	-	-	-	-	-
31 December 2023	-	-	-	-	-
Acquisition in a business combination (Note 5)	15,870	258	390	-	16,518
Acquisition through joint operation (Note 5)	654	-	-	-	654
Additions	-	354	-	8	362
31 December 2024	16,524	612	390	8	17,534
3 December 2023	-	-	-	-	-
31 December 2023	-	-	-	-	-
Amortization charge	-	(42)	-	-	(42)
31 December 2024	-	(42)	-	-	(42)
Net book value					
31 December 2023	-	-	-	-	-
31 December 2024	16,524	570	390	8	17,492

Goodwill impairment testing is performed annually at the lowest level of the cash-generating unit and is subject to oversight by management. The most recent impairment test of goodwill was conducted as of December 31, 2024. No impairment of goodwill was identified at that date. Significant assumptions in the goodwill impairment test are disclosed in Note 4.

13. Other assets

Other assets as at 31 December 2024 and 2023 are as follows:

	31 December 2024	31 December 2023
Advance paid to suppliers	517	-
Tax paid in advance	137	-
Other assets	42	-
Total other assets	696	-

14. Other liabilities

Other liabilities as at 31 December 2024 and 2023 are as follows:

	31 December 2024	31 December 2023
Trade payables	628	-
Supervisory fee	622	-
Salaries and other benefits payable	432	-
Other liabilities	77	-
Total other liabilities	1,759	-

(In thousands of GEL)

15. Investment result

Investment result for the years ended 31 December 2024 and 2023 comprise:

	2024	2023
Bank deposits	1,520	–
Loans issued	92	–
Cash and cash equivalents	79	–
Interest income calculated using effective interest rate	1,691	–
Impairment loss on financial assets	(10)	–
Investment result	1,681	–

16. Salaries and other employee benefits

Salaries and other employee benefits for the years ended 31 December 2024 and 2023 comprise:

	2024	2023
Salaries	(3,118)	–
Bonuses	(751)	–
Share-based compensation (Note 17)	(523)	–
Insurance and other benefits	(441)	–
Salaries and other employee benefits	(4,833)	–

17. Share-Based Payment Arrangements

Key management personnel of the Company receive a portion of their fixed annual remuneration in the form of JSC ARDI's Class B shares which are not issued as of 31 December 2024. Senior executives of the Parent, who are also members of the key management personnel of the Company, receive share-based awards in shares of JSC A Group, settled by the Parent and recognized as equity-settled awards in the Parent's consolidated financial statements. The Company recognizes its proportionate share of the total share-based charges for respective employees in its financial statements.

The amount of remuneration in the forms of the Company and the Parent's shares represent a fixed monetary amount, with the number of shares being calculated by reference to the net asset value of the Company and the Parent, respectively. All awards vest evenly over five years, beginning January 1 of the second year following the award year.

The table below presents the total share-based payment expenses recognized during the year:

	2024	2023
Awards in the Company's shares	(235)	–
Awards in the Parent's shares	(288)	–
Total Share-Based Payment Expense	(523)	–

No shares had vested or been forfeited as of year-end 2024, as vesting commences in future periods.

No shares were granted prior to 2024.

(In thousands of GEL)

18. General and administrative expenses

General and administrative expenses for the years ended 31 December 2024 and 2023 comprise:

	2024	2023
Professional services (audit & legal)	(334)	–
Software support	(203)	–
Marketing and advertising	(190)	–
Repair and maintenance	(126)	–
Communications	(124)	–
Office supplies	(107)	–
Personnel training	(94)	–
Utilities	(76)	–
Business trips	(52)	–
Occupancy and rent	(38)	–
Representatives	(33)	–
Charity	(11)	–
Bank fees and commissions	(10)	–
Security	(6)	–
Insurance	(6)	–
Other administrative expenses	(158)	–
Total general and administrative expenses	(1,568)	–

The remuneration of the Company's auditor for the audit of financial statements for the year ended 31 December 2024 amounted to GEL 241 (net of VAT).

19. Depreciation and amortization expenses

Depreciation and amortization expenses for the years ended 31 December 2024 and 2023 comprise:

	Notes	2024	2023
Depreciation of right-of-use assets	10	(367)	–
Depreciation of property and equipment	11	(47)	–
Amortization of intangible assets	12	(42)	–
Total depreciation and amortization expenses		(456)	–

20. Taxation

A new taxation regime for insurance companies in Georgia came into effect on January 1, 2024. From 2024, the Company has been subject to a 0% tax rate on undistributed profits, while corporate income tax is levied only on profits distributed as dividends to individuals. Dividends distributions between Georgian resident companies are not subject to corporate income tax. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of net distribution.

The Company can offset corporate income tax liability arising from dividend distributions out of profits earned in 2015–2023 by the amount of corporate income tax paid for the respective period under the current regulation.

During 2024, dividends were distributed to a legal entity registered in Georgia. In accordance with the Tax Code of Georgia, the recognized transaction was not subject to taxation.

(In thousands of GEL)

21. Equity

Share capital

As per the Company's charter, its authorized share capital comprises Class A, Class B, Class G ordinary shares, and redeemable preference shares. The issuance of each class is subject to the discretion of the shareholders.

- ▶ **Class A shares** carry full voting rights (one vote per share).
- ▶ **Class B shares** carry no voting rights and are designated solely for compensating the Company's management and employees.
- ▶ **Class G shares** carry no voting rights and may be transferred only to controlling shareholders. Additionally, Class G shareholders benefit from a tag-along right, allowing participation in a controlling interest sale under equivalent terms.
- ▶ **Preference shares** carry no voting rights, are redeemable at shareholders' discretion, and dividends are payable at the discretion of shareholders.

As of 31 December 2024, the authorized and issued shares totaled 609, comprising:

- ▶ Class A shares: 293 shares;
- ▶ Class G shares: 15 shares;
- ▶ Preference shares: 300 shares (All shares have a nominal value of GEL 10 each).

Of the total share capital (GEL 6,090 nominal):

- ▶ GEL 6,064 has been paid in;
- ▶ GEL 24 remains unpaid by shareholders.

Preference Share

During 2024, 300 redeemable preference shares (GEL 10 nominal per share) were issued and fully acquired by the parent entity, JSC A Group, to increase the Company's share capital. These shares are classified as equity.

Share premium

The share premium of the Company as of 31 December 2024 composed of the share premium arising from the issued shares in the amount of GEL 24,727 and recognition of equity-settled share-based compensation in the amount of GEL 523 (Notes 16, 17).

Dividends

In 2024, the Company declared and distributed dividends to its ordinary shareholders totaling GEL 3,000, representing GEL 9.72 (in units) per share.

Capital management

Regulatory capital requirements in Georgia are set by the Insurance State Supervision Service of Georgia (ISSSG). Insurance State Supervision Service of Georgia requirement is to maintain a minimum capital of GEL 7,200 of which 100% should be kept as cash at bank or bank deposits. Bank confirmation letter is submitted to Insurance State Supervision Service of Georgia on a monthly basis in order to prove compliance with the above-mentioned regulatory requirement. The Company regularly and consistently complies with the Insurance State Supervision Service of Georgia regulatory capital requirement.

22. Commitments and contingencies

In the normal course of business, the Company is exposed to contingent liabilities in relation to claims litigation and regulatory examinations arising out of its insurance and reinsurance activities. The Company may also be exposed to the possibility of contingent liabilities in relation to insurance and non-insurance litigation including but not limited to regulatory test cases and class actions, taxation and compliance matters, which may result in legal or regulatory penalties and financial or non-financial losses and other impacts.

(In thousands of GEL)

22. Commitments and contingencies (continued)

Legal proceedings

As of 31 December 2024, the Company was involved in two legal dispute that may have a material impact on its financial performance:

1) The case related to claims under bank guarantees issued in 2019–2020 by JSC Insurance Company Autograph (formerly JSC ARDI Insurance) in favor of the Municipal Development Fund (MDF), concerning rehabilitation projects in Ureki.

The MDF initially prevailed in court, but a partial settlement was reached during appeal, covering the school project. The dispute over GEL 1,930 related to the boulevard project remains unresolved. The opposing party has challenged the Company's name change, alleging it was linked to a split intended to avoid obligations.

In March 2025, the Supreme Court annulled the prior appellate decision on succession grounds, citing insufficient analysis of the reorganization and requiring further review of the memorandum and purchase agreement. The case has been remanded to the Tbilisi Appellate Court for reconsideration.

Management considers a favorable outcome to be highly probable; therefore, no provision has been recognized as of 31 December 2024.

2) A legal dispute involving JSC Insurance Company Autograph and the Ministry of Defence, classified as a "secret case." On 6 February 2025, ARDI was informed that the appellate court designated both Ardi and Autograph as jointly liable parties. The Company has not received detailed information regarding the specifics of the case due to its classified status. Both Ardi and Autograph challenged the appellate court's determination in the Supreme Court, which subsequently partially accepted the appeal, annulling the appellate decision on succession grounds. The matter has been referred back to the Tbilisi Appellate Court for reconsideration.

Based on this Supreme Court decision, management believes there is a high probability of a favorable resolution; thus, no provision has been recognized as of 31 December 2024.

23. Risk and capital 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 it is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls. Each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The main financial risks inherent to 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 recognize the critical importance of having efficient and effective risk management systems in place.

Executive management of the Company monitors and manages risks on a regular basis, by assigning tasks, creating different working groups and setting up risk management policy as well as respective guidelines and controlling their implementation and performance of relevant departments.

Executive management 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 strategy to the corporate goals and specify reporting requirements.

(In thousands of GEL)

23. Risk and capital management (continued)

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;
- ▶ 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 business is to hold the least required amount of the regulatory capital and, also, to hold sufficient liquid assets to cover statutory requirements based on the directives of ISSSG. Regulations of ISSSG require that an insurance company must hold liquid assets of at least 75% of its unearned premium reserve, net of gross insurance premiums receivable, and 100% of its loss reserves. Assets eligible for inclusion in liquid assets are: cash and cash equivalents, amounts due from credit institutions, loans issued, investment property as well as other financial assets, as defined by ISSSG. Amount of such minimal liquid assets is called "Statutory Reserve".

The Statutory Reserve requirement for Ardi Insurance as at 31 December 2024 equals to the minimal amount of liquid assets of GEL 12,853 (31 December 2023: not applicable). The Company is fully compliant with the requirement as at 31 December 2024.

Regulatory requirements

Regulatory capital requirements for the insurance companies operating in Georgia are set by the ISSSG and are applied to the insurance companies within the Group solely on a stand-alone basis. The ISSSG requirement is to maintain a minimum share capital of GEL 7,200 for life insurance, GEL 7,200 for mandatory third-party liability insurance, surety bonds and credit liability insurance, GEL 4,800 for other non-life insurance, and GEL 7,200 for reinsurance, of which 100% should be kept as cash at bank or bank deposits. Bank confirmation letters are submitted to ISSSG on a monthly basis in order to prove compliance with the above-mentioned regulatory requirement.

In addition to the minimum share capital requirement, insurance companies are also required to maintain a solvency ratio, calculated as regulatory capital divided by the required solvency capital, in excess of 100%. The ISSSG defines the types of assets that can be used by an insurer to meet its regulatory capital requirements. As of 31 December 2024, the Company's regulatory capital was GEL 15,217 and its required solvency capital was GEL 10,276. Regulatory capital includes total equity fewer intangible assets and goodwill, deferred acquisition costs, deferred tax assets, unsecured loans issued, assets pledged as collateral on behalf of other parties, cash on hand above GEL 100, other assets, 100% of investments in subsidiaries and associates, 30% of investment property and 10% of available-for-sale financial assets and assets held-to-maturity. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the ISSSG directives.

The Company complied with the ISSSG requirements as at 31 December 2024 and 2023.

Insurance risk

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

(In thousands of GEL)

23. Risk and capital management (continued)

Insurance risk (continued)

The Company primarily uses its loss ratio and its combined ratio to monitor its insurance risk. Loss ratio is defined as net insurance claims divided by net insurance revenue. Combined ratio is sum of loss ratio and expense ratio. Expense ratio is defined as insurance related operating expenses excluding interest expense divided by net insurance revenue.

The Company's loss ratios and combined ratios were as follows:

	31 December 2024
Loss Ratio	72%
Expense ratio	18%
Combined Ratio	90%

The table below sets out the concentration of claim insurance contract liabilities by product lines:

	31 December 2024
Health Insurance	93.25%
Auto Insurance	2.86%
Property insurance	1.59%
General third-party liability	0.04%
Other lines	1.83%
Compulsory third party liability	0.43%
	100.00%

Financial risk

Credit risk

Maximum exposure to credit risk is represented by carrying values of respective financial assets as of 31 December 2024 and 2023.

The credit quality of financial assets that are neither past due nor impaired is appropriate and is constantly monitored in order to identify any potential adverse changes in the credit quality. The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to external ratings granted by A.M. Best, Moody's, S&P Global and Fitch.

31 December 2024	Notes	Stage	BB	BB-	B+	B	Not rated	Total
Bank deposits	7	Stage 1	10,964	–	1,588	7,010	–	19,562
Loan issued – not overdue	9	Stage 1	–	–	–	–	3,091	3,091

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal or stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its capital, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a regular basis. This incorporates daily monitoring of expected cash flows and liquidity needs.

The Company manages the maturities of its assets and liabilities for better matching, which helps the Company additionally mitigate the liquidity risk. The major liquidity risks confronting the Company are the daily calls on its available cash resources in respect of supplier contracts, claims arising from insurance contracts and the maturity of borrowings.

(In thousands of GEL)

23. Risk and capital management (continued)**Financial risk (continued)**

The table below analyses financial and insurance assets and liabilities of the Company into their relevant maturity based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

31 December 2024	Within one year	More than one year	Total
Assets			
Cash and cash equivalents	8,483	–	8,483
Bank deposits	11,757	7,805	19,562
Insurance contract asset	–	–	–
Reinsurance contract asset	1,074	–	1,074
Loans issued	–	3,091	3,091
Other assets	650	46	696
Total assets	21,964	10,942	32,906
Liabilities			
Insurance contract liability	12,234	–	12,234
Reinsurance contract liability	1,167	–	1,167
Other liabilities	1,759	–	1,759
Lease liabilities	563	444	1,007
Total liabilities	15,723	444	16,167
Net position	6,241	10,498	16,739
Accumulated gap	6,241	16,739	16,739

Amounts and maturities in respect of the insurance contract liabilities are based on management's best estimate based on statistical techniques and past experiences. Management believes that the current level of the Company's liquidity is sufficient to meet its all-present obligations and settle liabilities in timely manner.

The Company also matches the maturity of financial assets and financial liabilities and imposes a maximum limit on negative gaps. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

31 December 2024	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Other liabilities	1,358	401	–	–	1,759
Lease liabilities	117	446	444	–	1,007
Total undiscounted liabilities	1,475	847	444	–	2,766

Market risk

The Company has exposure to market risks. Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the financial instruments or the future cash flows on financial instruments. The Company does not have material balances of floating-rate instruments and therefore is not exposed to interest rate risk as at 31 December 2024.

(In thousands of GEL)

23. Risk and capital management (continued)**Market risk (continued)****Currency risk**

The Company's assets and liabilities are denominated in more than one currency. The Company has assets and liabilities denominated in USD and EUR. The Company's exposure to foreign currency risk was as follows.

31 December 2024	GEL	USD	EUR	Total
Assets				
Cash and cash equivalents	5,641	2,814	28	8,483
Bank deposit	19,562	–	–	19,562
Loan Issued	3,091	–	–	3,091
Reinsurance contract asset	610	464	–	1,074
Total assets	28,294	2,814	28	31,136
Liabilities				
Insurance contract liability	16,681	(3,825)	(622)	12,234
Reinsurance contract liability	95	1,072	–	1,167
Other liabilities	1,270	399	90	1,759
Lease liabilities	–	1,007	–	1,007
Total liabilities	18,046	(1,347)	(532)	16,167
Net position	10,248	4,161	560	14,969
Increase in currency rate in %		15%	15%	
Effect on profit		624	84	
Decrease in currency rate in %		–15%	–15%	
Effect on profit		(624)	(84)	

24. Fair value measurement**Fair value hierarchy**

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The Company uses the following hierarchy for determining and disclosing the fair value:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show analysis of assets and liabilities for which fair values are disclosed by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 2024
Assets for which fair values are disclosed				
Cash and cash equivalents	8,483	–	–	8,483
Bank deposits	–	19,562	–	19,562
Loan issued	–	–	3,091	3,091
Other assets	696	–	–	696
Liabilities for which fair values are disclosed				
Other liabilities	–	1,759	–	1,759

The following is a description of the determination of fair value for financial instruments. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

(In thousands of GEL)

24. Fair value measurement (continued)

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments.

25. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the period are as follows:

	31 December 2024		
	Key management	Entities under common control	Other
Assets			
Insurance contract asset	–	233	14
Reinsurance contract asset	–	2,334	–
Other assets	–	8	–
Total assets	–	2,575	14
Liabilities			
Insurance contract liability	–	625	44
Reinsurance contract liability	–	2,572	–
Other liabilities	317	–	–
Total liabilities	317	3,197	44

	2024		
	Key management	Entities under common control	Other
Income and expenses			
Insurance revenue	–	46	(1)
Insurance service expense	–	(1,347)	–
Amounts recoverable from reinsurers for incurred claims	–	301	–
Salaries and other employee benefits	(1,378)	–	–
General and administrative expenses	–	(4)	–
Net other operating expenses	–	144	–
Foreign exchange gains	–	2	–
Total income and expenses	(1,378)	(858)	(1)

(In thousands of GEL)

25. Related party transactions (continued)

The Company's reinsurance transactions include transactions with both an entity under the common control and third parties. These transactions are presented on net basis within the statement of financial position, either as a reinsurance contract asset or a reinsurance contract liability, for each group of insurance contracts (health, auto, etc). Respectively, the amounts of reinsurance contract assets and liabilities related to arrangements with entities under common control may be higher than the amounts shown in the statement of financial position.

No transactions and balances with related parties were identified for the year ended 31 December 2023.

Insurance contracts with related parties are concluded usually for up to one year. Claims settlements usually occurred within 90 days.

Other transactions with related parties for the year ended 31 December 2024 included shares issued and dividends paid to the Parent as disclosed in Note 21.

Compensation of key management personnel comprised the following:

	2024	2023
Salaries and bonuses	855	–
Share-based compensation	523	–
Total key management compensation	1,378	–

26. Events after reporting period

On 24 March 2025, the Company declared and distributed dividends amounting to GEL 1,500 (dividends per share was GEL 4.86, in units), which were settled in cash.