ARDI INSURANCE JSC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

These financial statements are presented in GEL.

Decimal symbol is dot (".") and digit-grouping symbol is comma (",")

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ARDI INSURANCE JSC

Opinion

We have audited the financial statements of JSC Ardi Insurance (the Company), which comprise the statement of financial position as at December 31, 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to note 2 to the financial statements, which indicates that despite of the fact of positive equity as at 31 December 2021, the company is in loss during the year ended December 31, 2021 and 2020, resultantly the retained earnings of the company at December 31, 2021 is turned negative from 6,870,204 Gel to 1,506,178 Gel. Furthermore, the company's regulatory capital and other solvency ratios are not in compliant with the minimum specific requirements provided by applicable insurance laws in state of Georgia for the year ended 31 December 2021 and for the year ended 31 December 2020 as well due to comparative re-statements and other regulatory adjustments. These conditions indicate the existence of material uncertainty which may cast doubt about the company's ability to continue as a going concern. However, the company is making continued efforts for necessary injection of capital and implementation of the company's plan to comply with applicable capital, liquidity and other solvency requirements. Our report is not qualified in respect of this matter and going concern of the company is highly dependent on the results of the factors discussed in note 2.

Emphasis of Matter Paragraph

Without modifying our opinion, we would like to draw your attention to Note 3 of the Statement of Financial Statements, which describes in detail the reasons for the adjustments made in previous years.

Other Matter Paragraph

The following qualified opinion was expressed in the report, for financial year ended December 31, 2021:

"As refer in note 19 and note 22 to these financial statements, the balance of reinsurance receivables and

reinsurance payable is 7,992,269 GEL and 3,943,938 GEL respectively. We were unable to verify these balances along with their movement on account of addition and deletion made during the year ended 31 December 2020, resultantly the completeness and accuracy of claims ceded to reinsurers and premium ceded to reinsurers (note 4 & 7) are also stand qualified along with their payments made. Further We were unable to obtain sufficient and appropriate audit evidence based on alternative procedures performed, therefore due to the material impact on the current year figures, our opinion is modified at December 31, 2020 financial statements."

During the year ended 31 December 2021 the company provided sufficient and appropriate audit evidence for the balances of reinsurance receivables and reinsurance payables along with their movements –accordingly we obtained assurance of completeness and accuracy of claims ceded to reinsurers and premium ceded to reinsurers, along with their payments, for the year ended 31 December 2021 and 2020, but where we could not receive appropriate evidences in receivables then 100% provision reserves are created against those balances. As the corrections were made from previous years therefore comparative figures are re-stated retrospectively. Resultant re-statement created the short fall in minimum supervisory capital requirements in current year and comparative year as well.

Other Information

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

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

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

Our obligation is to express an opinion on the compliance of the parts of the company's 2021 management report with the Law of Georgia on "Accounting, Reporting and Auditing" ("the Law"), and in case of essential inaccuracies, to indicate their essence, as well as to state any information which is not reported specified by law in the management report.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

26 April, 2022

RSM Georgia

Engagement Partner: Paata Chubinidze

RSM Georgia

NOTES

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021	2020, restated
Gross premiums		58,961,237	52,594,199
Premiums ceded to reinsurers		(3,773,592)	(3,907,613)
Net premiums		**55,187,645**	**48,686,586**
Changes in unearned premium reserve		(3,408,484)	(3,188,886)
Changes in unearned premium reserve ceded to reinsurers		196,480	236,193
Net insurance revenue	4	**51,975,641**	**45,733,893**
Interest income	5	748,314	620,332
Commission income	6	581,712	622,693
TOTAL REVENUE		**53,305,667**	**46,976,918**
Insurance benefits and claims paid	7	(39,783,497)	(34,791,735)
Claims ceded to reinsurers	7	1,253,537	3,419,237
Changes in other insurance reserves	17	(7,202,570)	(9,825,339)
Changes in other insurance reserves ceded to reinsurers	17	5,966,097	7,785,096
Income from subrogation and recoveries	8	8,857,924	13,648,415
Income from subrogation and recoveries ceded to reinsurers	8	(6,570,988)	(10,657,893)
Net benefits and claims		**(37,479,497)**	**(30,422,219)**
Commission expenses	9	(4,784,536)	(4,614,474)
General and administrative expenses	10	(9,255,630)	(8,730,427)
Marketing expenses	11	(953,214)	(1,056,561)
Impairment and write off expense	12	(508,008)	(6,434,263)
Interest expense	5	(260,253)	(302,628)
Other income and expenses, net		199,273	168,699
Net foreign exchange (loss) / gain		(529,614)	109,492
LOSS BEFORE TAX		**(265,812)**	**(4,305,463)**
Income tax expense	13	(120,170)	(268,319)
LOSS FOR THE YEAR		**(385,982)**	**(4,573,782)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,908,021**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,522,039**	**(4,573,782)**

Mikheil Japaridze

Director

Lasha Lapachi

Director

L. Lapachi

NOTES

STATEMENT OF FINANCIAL POSITION

	Notes	2021	2020, restated	2019, restated
ASSETS				
Property and equipment	14	5,277,751	3,835,632	2,423,385
Intangible assets	15	603,473	524,659	345,796
Investment property	16	662,800	762,800	762,800
Deferred acquisition costs	9	2,230,539	2,121,322	2,014,673
Reinsurance assets	17	21,458,259	15,295,682	7,274,393
Other assets	18	2,608,055	2,094,041	2,490,283
Insurance and reinsurance receivables	19	57,318,780	47,572,265	37,138,798
Amounts due from credit institutions	20	7,617,222	6,187,556	6,601,895
Cash and cash equivalents	20	6,145,075	2,420,936	1,356,756
TOTAL ASSETS		**103,921,954**	**80,814,893**	**60,408,779**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	21	4,550,210	3,485,210	3,485,210
Revaluation surplus	21	2,066,928	158,907	158,907
(Accumulated loss) / Retained earnings		1,506,179	2,058,026	6,870,204
TOTAL EQUITY		**8,123,317**	**5,702,143**	**10,514,321**
LIABILITIES				
Liabilities from insurance contracts	17	54,764,350	44,153,296	31,139,071
Other insurance liabilities	22	31,966,015	23,851,653	13,506,877
Deferred commission income from reinsurance contracts	6	354,012	365,003	254,848
Borrowings and lease liability	23	3,369,215	4,076,592	3,361,424
Trade and other payables	24	4,930,243	2,371,573	1,508,961
Deferred tax liability / (asset)	13	42,727	(29,649)	(125,118)
Current income tax		372,075	324,282	248,395
TOTAL LIABILITIES		**95,798,637**	**75,112,750**	**49,894,458**
TOTAL EQUITY AND LIABILITIES		**103,921,954**	**80,814,893**	**60,408,779**

Mikheil Japaridze

Director

Lasha Lapachi

L. Lapachi

Director

NOTES
STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation surplus	Retained earnings	Total
At 1 January 2020, restated	**3,485,210**	**158,907**	**6,870,204**	**10,514,321**
Loss for the year	-	-	(4,573,782)	(4,573,782)
Dividends paid	-	-	(238,396)	(238,396)
At 31 December 2020, restated	**3,485,210**	**158,907**	**2,058,026**	**5,702,143**
Issue of ordinary shares	1,065,000	-	-	1,065,000
Loss for the year	-	-	(385,982)	(385,982)
Other comprehensive income	-	1,908,021	-	1,908,021
Dividends paid	-	-	(165,865)	(165,865)
At 31 December 2021	**4,550,210**	**2,066,928**	**1,506,179**	**8,123,317**

Mikheil Japaridze

Director

Lasha Lapachi

Director

L. Lapachi

NOTES
STATEMENT OF CASH FLOWS

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (insurance premium)		54,494,837	46,695,260
Payments to reinsurers		(2,500,380)	(1,944,225)
Net receipts of premiums		**51,994,457**	**44,751,035**
Payments for insurance claims		(38,317,168)	(33,669,680)
Reimbursements from reinsurers, subrogation and salvage property		2,457,891	3,476,507
Net payments for insurance claims		**(35,859,277)**	**(30,193,173)**
Payments for acquisition costs		(1,020,645)	(1,095,618)
Payments for leases		(505,604)	(515,453)
Payments to suppliers and employees		(8,012,192)	(10,647,517)
Net cash flow generated from operations		**6,596,739**	**2,299,274**
Interest paid		(180,385)	(174,910)
Taxes paid		(2,187,920)	(2,365,500)
Net cash generated by operating activities		**4,228,434**	**(241,136)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed and intangible assets		(76,947)	(150,689)
Loans issued		(63,000)	(1,280,050)
Repayment of loans issued		-	1,316,600
Interest received		389,843	819,057
Net cash generated by investing activities		**249,896**	**704,918**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of new borrowings		500,000	4,344,243
Repayment of borrowings		(500,000)	(4,630,691)
Proceeds from issue of shares	21	1,065,000	-
Dividends paid	21	(157,572)	(226,476)
Net cash generated by financing activities		**907,428**	**(512,924)**
CASH AND CASH EQUIVALENTS			
At 1 January		**8,556,132**	**7,908,306**
Net increase in the year		5,385,758	(49,142)
Effect of exchange rate changes on cash and cash equivalents held		(279,695)	696,968
At 31 December	**20 b**	**13,662,195**	**8,556,132**
COMPRISING	20	6,145,075	2,420,936
Cash and cash equivalents	20	7,617,222	6,187,556
Amounts due from credit institutions		**13,762,297**	**8,608,492**
TOTAL PER THE STATEMENT OF FINANCIAL POSITION		(100,102)	(52,360)
Less accrued interest	**20 b**	**13,662,195**	**8,556,132**
TOTAL FOR THE STATEMENT OF CASH FLOWS PURPOSES			

Mikheil Japaridze
Director

Lasha Lapachi
Director

L. Lapachi

NOTES

1. GENERAL INFORMATION

Ardi Insurance JSC (the Company) is a Joint-Stock Company domiciled in and registered under the laws of Georgia at March 31, 2010. The Company operates by head office and 5 service centers and provides different life and non-life insurance services in Georgia, life insurance contains contracts issued for insuring bank loans given to the beneficiary and accordingly insurance contract is affective during the period of the loan agreement (see Note 4). The registered office of the Company is 3 Vazha-Pshavela avenue, Tbilisi.

The ordinary shareholders of the Company are:

	2021	2020	Share type
Armaz Tavadze	60.00%	60.00%	Ordinary
Zaza Nishnianidze	20.00%	20.00%	Ordinary
Gazelle Finance Georgia LLC	6.00%	6.00%	Ordinary
Kartlos Koranashvili	2.50%	-	Ordinary
Mikheil Japaridze	2.50%	-	Ordinary
Eka Ergemlidze	2.50%	-	Ordinary
Lasha Lapachi	1.50%	-	Ordinary
William Thomas Ipsen	5.00%	5.00%	Preference
Assets Management Company Ardi Capital Ltd	-	9.00%	Ordinary
	100.00%	**100.00%**	

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), being standards and interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2021.

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

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

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

NOTES

Going Concern

The Company is facing some financial and operational difficulties detailed as under:

1. The company has incurred net loss of Gel 385,982 during the year ended December 31, 2021 (2020: Gel 4,573,782), resulting in accumulated losses reduced from 6,870,204 GEL to 1,506,178 GEL.
2. In addition to above, the company's regulatory capital and other solvency ratios are not in compliant with the minimum specific requirements provided by applicable insurance laws in state of Georgia for the year ended 31 December 2021 and for the year ended 31 December 2020.

Mitigating Factors

The company acknowledged the required supervisory capital deficit and is in process of implementation on its multi-faceted plan to overcome the financial and operational difficulties faced by the Company. The plan and efforts on the financial and operational conditions of the Company are discussed below:

1- Shareholders have agreed to inject fresh equity of 1.7m USD (at 3.1 exchange rate 5.27m GEL) till the end of April, 2022 backed by written guarantee. The said injections shall materially reduce the short fall in regulatory capital. If company's business plan along with fresh equity injection could not fill the gap of regulatory capital short fall then the current shareholders of the company are ready to increase shareholders' capital by additional new capital injections.
2- The management has chalked out a business plan with detailed lines of business projections and with all key ratios (loss ratio, acquisition expense ratio, OPEX, combined ratio), the said plan shows that the company shall be in compliance with all regulatory requirements in ensuing years.
3- The management of the company has also prepared a plan to limit its administrative and operating expenses without, however, effecting the operational efficiency of the Bank.
4- In order to stabilise the profitability of the company the management has decided to curtail business in more volatile lines of products.
5- Further to strengthen the financial position, the shareholders have agreed to waive all dividend pay-outs for coming years till all regulatory requirements are complied with.
6- The company has shared the above plans with the regulatory body and the management of Ardi Insurance is not expecting any operational and financial sanctions/penalties.

The above-mentioned plans / efforts will help the company to overcome its financial problems to great extent and will result in improvement of its financial and operational position. In view of these plans and with the outcome of mitigating factors as explained above, the management is confident that the Company will be able to continue as a going concern if things moved as planned above.

NOTES (CONTINUED)

(B) NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by IASB that are mandatory for the current reporting period.

New and amended standards in issue but not yet effective

International Accounting Standards Board (IASB) has issued certain new standards, interpretations and amendments to existing standards that are effective for subsequent reporting periods. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Company's management does not expect that any other standard issued by IASB that has not yet entered into force will have a material impact on the Company' s financial statements:

- Insurance companies have the option to continue using IAS 39 instead of IFRS 9 financial instruments until 2023;
- In May 2017, IFRS 17 insurance contracts were issued, which will replace IFRS 4 from 2023;

The Company's management does expect that IFRS 17 and IFRS 9 may have significant impacts, although at this point, before a detailed review is completed, it is impractical to assess this impact.

(C) JOINT ARRANGEMENTS: JOINT OPERATION

A joint arrangement is an arrangement of which two or more parties have joint control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement (in contrast to joint venture, where the parties have rights to the net assets of the arrangement). Where the Company is a joint operator in a joint operation, it recognises in relation to its interest in a joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly; (c) its revenue from the sale of its share of the output arising from the joint operation; (d) its share of the revenue from the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly.

NOTES (CONTINUED)

(D) INSURANCE REVENUE AND EXPENSES RECOGNITION

Gross premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums (see part G of this note).

Reinsurance premiums

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

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

Insurance benefits and claims

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

NOTES (CONTINUED)

(E) FINANCIAL INSTRUMENTS

Initial recognition and measurement

The Company recognises a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Company recognises all financial assets and financial liabilities at fair value. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price.

Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition. During the reporting period, the Company classified financial assets as loans and receivables - non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or collectability. Typically trade and other receivables, bank balances and cash are classified in this category.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

In addition, for insurance premium receivables that are assessed not to be impaired individually, the Company assesses them collectively for impairment, based on the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

The carrying amount of loans and receivables is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by IAS 39. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognised / derecognised in full or recognised to the extent of the Company's continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

NOTES (CONTINUED)

Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. During the reporting period, the Company did not classify any financial liabilities as held for trading or designated as at fair value through profit or loss. All the other financial liabilities are carried at amortised cost using the effective interest method.

Typically, trade and other payables and borrowings are classified in this category. Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

Derecognition of financial liabilities

A financial liability is removed from the Company's statement of financial position only when the liability is discharged, cancelled or expired (ie extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Assets related to insurance

- Insurance premium receivable is the sum of earned (past due) and unearned premiums receivable.
- Reinsurance receivable is the reinsurer's share in claims payable or paid and commissions receivable from reinsurers.
- Reinsurance assets represent the reinsurer's share in liabilities from insurance contracts.
- Subrogation receivable is the fair value of recoveries receivable from third parties to reimburse some or all costs of insurance claims.

Lease liabilities

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

NOTES (CONTINUED)

(F) LIABILITIES FROM INSURANCE CONTRACTS

Insurance contract liabilities include the outstanding claims provision and the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported (RBNS) or not (IBNR), together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. IBNR is calculated at the reporting date in accordance with the state regulation: 5% of annual gross premiums for all types of insurance contracts other than medical (health) and 2% of annual gross premiums for medical (health) insurance. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

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

Liability adequacy test

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency.

(G) DEFERRED ACQUISITION COSTS (DAC)

Those direct and indirect costs incurred during the financial period arising from the acquiring or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums from insurance contract. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DACs are amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

DACs are derecognised when the related contracts are either settled or disposed of.

NOTES (CONTINUED)

(H) PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

Right-of-use assets

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

NOTES (CONTINUED)

(I) INTANGIBLE ASSETS

On initial recognition, intangible assets acquired separately are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. The estimated useful life and amortisation method (15% straight line) are revised at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset - measured as the difference between the net disposal proceeds and the carrying amount of the asset - are recognised in profit or loss when the asset is derecognised.

(J) INVESTMENT PROPERTY

Investment properties are held to earn rental income and / or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. The cost comprises the purchase price and any directly attributable expenditure (eg professional fees for legal services, property transfer taxes).

Subsequently, investment properties are carried at cost less any accumulated depreciation and impairment losses. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life of 20 years. Land is not depreciated. Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(K) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of property and equipment, intangible assets, investment property and DAC are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of the asset / unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / unit whose impairment is being measured.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

NOTES (CONTINUED)

(L) FOREIGN CURRENCY TRANSACTIONS

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

	GEL / USD	GEL / EUR
Exchange rate as at 31 December 2021	3.10	3.50
Average rate for the year ended 31 December 2021	3.22	3.81
Exchange rate as at 31 December 2020	3.28	4.02
Average rate for the year ended 31 December 2020	3.11	3.55
Exchange rate as at 31 December 2019	2.87	3.21

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

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

(M) INCOME TAXES

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

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

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

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

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

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

(N) PROVISIONS

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

NOTES (CONTINUED)

(O) EQUITY

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

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

(P) SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under general insurance contracts is the Company's most significant accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position insurance liability. General insurance claims provisions are not discounted for the time value of money.

Impairment of insurance, reinsurance and subrogation receivables

The Company estimates impairment of receivables derived from insurance and reinsurance contracts. Factors that the Company considers whether a financial asset is impaired is its overdue status or bad credit rating of a debtor. The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

NOTES (CONTINUED)

Deferred acquisition costs (DAC)

The amount of acquisition costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the acquisition. For long-term insurance contracts without fixed terms and insurance contracts with DAC are amortized over the expected total life of the contract as a constant percentage of estimated gross profit margins arising from these contracts in accordance with the accounting policy.

Useful lives of property and equipment and intangible assets

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

Fair value of property

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

Income tax

The Company is subject to income tax and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities.

3. IMPACT OF RESTATEMENT OF COMPARABLE INFORMATION

The Company has corrected the following errors:

- Due to reinsurer`s insolvency, reinsurance receivable was overstated by GEL 4,456,606 and reinsurance premium payable was understated by GEL 1,023,278 as at 31 December 2020. In total reinsurance balances were misstated by GEL 5,479,884;
- The company has written off aged insurance receivable as of 31 December, 2020 amounted to GEL 472,000;
- While comparing to counteragents balances on prior period claims provision the company has identified, that opening balance of provisions for claims reported by policyholders (RBNS) was understated by GEL 855,776 and corresponding deferred income tax liability was overstated by GEL 128,366.

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company has applied the changes retrospectively. Resulting restatements are provided below.

NOTES (CONTINUED)

Statement of Comprehensive Income (extract)	As previously reported for the year ended 31 December 2020	Restatement	Restated for the year ended 31 December 2020
TOTAL REVENUE	**46,976,918**	**0**	**46,976,918**
Net benefits and claims	**(30,422,219)**	**0**	**(30,422,219)**
Commission expenses	(4,614,474)	0	(4,614,474)
General and administrative expenses	(8,730,427)	0	(8,730,427)
Marketing expenses	(1,056,561)	0	(1,056,561)
Impairment and write off expense	(2,169,477)	(4,264,786)	(6,434,263)
Interest expense	(302,628)	0	(302,628)
Other income and expenses, net	168,699	0	168,699
Net foreign exchange (loss) / gain	109,492	0	109,492
(LOSS) / PROFIT BEFORE TAX	**(40,677)**	**(4,264,786)**	**(4,305,463)**
Income tax expense	(268,319)	0	(268,319)
(LOSS) / PROFIT FOR THE YEAR	**(308,996)**	**(4,264,786)**	**(4,573,782)**

Statement of Financial Position (extract)	As previously reported for the year ended 31 December 2020	Restatement	Restated for the year ended 31 December 2020
ASSETS			
Insurance and reinsurance receivables	50,625,686	(3,053,421)	47,572,265
Other assets	33,242,628	0	33,242,628
TOTAL ASSETS	**83,868,314**	**(3,053,421)**	**80,814,893**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	3,485,210	0	3,485,210
Revaluation surplus	158,907	0	158,907
Retained earnings	6,862,135	(4,804,109)	2,058,026
TOTAL EQUITY	**10,506,252**	**(4,804,109)**	**5,702,143**
LIABILITIES			
Liabilities from insurance contracts	43,297,520	855,776	44,153,296
Other insurance liabilities	22,828,375	1,023,278	23,851,653
Deferred tax liability	98,717	(128,366)	(29,649)
Other liabilities	7,137,450	0	7,137,450
TOTAL LIABILITIES	**73,362,062**	**1,750,688**	**75,112,750**
TOTAL EQUITY AND LIABILITIES	**83,868,314**	**(3,053,421)**	**80,814,893**

NOTES (CONTINUED)

Statement of Financial Position (extract)	As previously reported for the year ended 31 December 2019	Restatement	Restated for the year ended 31 December 2019
ASSETS			
Insurance and reinsurance receivables	36,950,711	188,087	37,138,798
Other assets	23,269,981	0	23,269,981
TOTAL ASSETS	**60,220,692**	**188,087**	**60,408,779**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	3,485,210	0	3,485,210
Revaluation surplus	158,907	0	158,907
Retained earnings	7,409,527	(539,323)	6,870,204
TOTAL EQUITY	**11,053,644**	**(539,323)**	**10,514,321**
LIABILITIES			
Liabilities from insurance contracts	13,506,877	855,776	14,362,653
Deferred tax liability	3,248	(128,366)	(125,118)
Other liabilities	35,656,923	0	35,656,923
TOTAL LIABILITIES	**49,167,048**	**727,410**	**49,894,458**
TOTAL EQUITY AND LIABILITIES	**60,220,692**	**188,087**	**60,408,779**

NOTES (CONTINUED)

4. NET INSURANCE REVENUE

	2021			2020		
	Gross premiums	Premiums ceded to reinsurers	Net premiums	Gross premiums	Premiums ceded to reinsurers	Net premiums
Medical (Health)	41,362,630	-	41,362,630	34,496,411	-	34,496,411
Road Transport Means	5,696,459	(328,265)	5,368,194	4,855,469	(233,646)	4,621,823
Suretyships	3,501,829	(2,089,958)	1,411,871	4,014,257	(2,311,562)	1,702,695
Property	2,502,617	(592,033)	1,910,584	3,139,894	(955,485)	2,184,409
Third Party Liability	1,454,517	(134,756)	1,319,761	1,921,508	(72,942)	1,848,566
MTPL (Compulsory)	1,275,348	-	1,275,348	1,202,900	-	1,202,900
Motor TPL	746,087	-	746,087	715,572	-	715,572
Personal Accident	647,596	(53,353)	594,243	608,248	(18,382)	589,866
Cargo	602,263	(108,999)	493,264	228,042	(67,268)	160,774
Life	561,324	(423,232)	138,092	843,919	(208,132)	635,787
Travel	514,333	-	514,333	479,141	-	479,141
Financial Loss Risks	36,972	-	36,972	41,796	-	41,796
Aviation Transport	36,879	(29,748)	7,131	37,665	(33,051)	4,614
Marine Transport	22,383	(13,248)	9,135	9,377	(7,145)	2,232
	58,961,237	**(3,773,592)**	**55,187,645**	**52,594,199**	**(3,907,613)**	**48,686,586**
Changes in UPR	(3,408,484)	196,480	(3,212,004)	(3,188,886)	236,193	(2,952,693)
Net insurance revenue	**55,552,753**	**(3,577,112)**	**51,975,641**	**49,405,313**	**(3,671,420)**	**45,733,893**

The product called 'life insurance' is a short-term insurance contract, based on which a fixed amount is paid to a beneficiary when the insured person dies within the contract term, insurance contracts are issued for insuring bank loans given to the beneficiary and accordingly insurance contract is affective during the period of the loan agreement.

Gross premiums include premiums of GEL 666,374 (2020: GEL 418,896) from fronting insurance contracts (contracts where 100% of insurance risk is reinsured) and premiums ceded to reinsurers include such premiums of GEL 442,626 (2020: GEL 286,571).

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

Unearned premium reserve is disclosed in Note 17.

NOTES (CONTINUED)

5. INTEREST INCOME AND EXPENSE

	2021	2020
Interest income from loans issued	295,073	262,798
Interest income from deposits	453,241	357,534
Interest income	**748,314**	**620,332**
Interest expense on bank loans	(180,385)	(171,155)
Interest expense on other loans	-	(4,054)
Interest expense on lease liability	(79,868)	(127,419)
Interest expense	**(260,253)**	**(302,628)**
Net interest income	**488,061**	**317,704**

6. COMMISSION INCOME

	2021	2020
Gross commission income	570,721	732,848
Commission income deferred	(278,705)	(303,310)
Amortization of prior period income deferred	289,696	193,155
Commission income	**581,712**	**622,693**

Commission income is generated from reinsurance contracts and calculated as the certain percentage of earned premiums.

Movement of deferred commission income:

	2021	2020
At 1 January	**365,003**	**254,848**
Gross commission income	570,721	732,848
Amortization	(581,712)	(622,693)
At 31 December	**354,012**	**365,003**

The realization of deferred commission income amounted GEL 129,532 (2020: GEL 212.169) is expected within 12 months' scope.

NOTES (CONTINUED)

7. INSURANCE BENEFITS AND CLAIMS PAID

	2021			2020		
	Paid	Ceded to reinsurers	Net payment	Paid	Ceded to reinsurers	Net payment
Medical (Health)	30,676,313	-	30,676,313	24,692,827	-	24,692,827
Road Transport Means	4,346,968	(78,169)	4,268,799	4,155,213	(24,809)	4,130,404
Suretyships	3,148,649	(1,138,328)	2,010,321	3,706,257	(2,478,186)	1,228,071
Motor TPL	830,985	-	830,985	417,147	-	417,147
Life	244,378	(27,373)	217,005	156,644	-	156,644
Property	124,188	-	124,188	1,390,617	(916,242)	474,375
MTPL (Compulsory)	118,254	-	118,254	93,237	-	93,237
Cargo	113,283	-	113,283	10,392	-	10,392
Financial loss Risks	87,872	-	87,872	82,516	-	82,516
Travel	30,638	-	30,638	60,356	-	60,356
Personal Accident	18,920	-	18,920	969	-	969
Aviation Transport	9,667	(9,667)	-	-	-	-
Third Party Liability	1,500	-	1,500	5,000	-	5,000
Other Expenses related to claims handling	31,882	-	31,882	20,560	-	20,560
	39,783,497	**(1,253,537)**	**38,529,960**	**34,791,735**	**(3,419,237)**	**31,372,498**

Other expenses related to claims handling are expertise costs, that are incurred in order to determine claim volume.

8. SUBROGATION AND RECOVERIES

Movement of receivable from subrogation and recoveries:

	2021	2020
At 1 January	**20,675,834**	**8,550,015**
Net income from subrogation and recoveries	**8,857,924**	**13,648,415**
Compensations received	(2,587,454)	(1,522,596)
Sale of salvage property	(120,462)	-
At 31 December	**26,825,842**	**20,675,834**

Movement of reinsurers' share in subrogation receivable:

	2021	2020
At 1 January	**16,682,846**	**6,647,013**
Reinsurers' share in net income from subrogation and recoveries	**6,570,988**	**10,657,893**
Compensations received	(982,906)	(622,060)
At 31 December	**22,270,928**	**16,682,846**

NOTES (CONTINUED)

9. COMMISSION EXPENSES (ACQUISITION COSTS)

	2021	2020
Acquisition costs	4,893,753	4,721,123
Acquisition costs deferred	(1,956,043)	(1,840,906)
Amortization of deferred acquisition cost	1,846,826	1,734,257
Commission expenses	**4,784,536**	**4,614,474**

Movement of deferred acquisition costs:

	2021	2020
At 1 January	**2,121,322**	**2,014,673**
Expenses deferred	4,893,753	4,721,123
Amortization (acquisition costs)	(4,784,536)	(4,614,474)
At 31 December	**2,230,539**	**2,121,322**

The deferred acquisition costs will be expensed during the period of:

	2021	2020
Less than 1 year	1,909,715	1,844,133
More than 1 year and less than 5 years	320,825	277,189
	2,230,539	**2,121,322**

10. GENERAL AND OTHER ADMINISTRATIVE EXPENSES

	2021	2020
Employee compensation	6,147,154	5,906,259
Depreciation and Amortisation	1,084,949	779,496
Insurance State Supervision fee	494,053	442,991
CIC membership fee	215,883	175,832
Taxes other than CIT	182,633	159,245
Office expenses	140,804	121,174
Communication expenses	123,997	141,933
Audit and consultation expenses	109,526	90,177
Utilities	96,578	89,749
Representative expenses	40,503	95,181
Rent	30,466	120,666
Other G&A	589,084	607,724
General and administrative expenses	**9,255,630**	**8,730,427**

Rent includes rent expenses on short-term leases and on leases, where leased asset has low value.

Audit and consultation expenses includes audit fee amounted GEL 73,160 (2020: GEL 71,689).

NOTES (CONTINUED)

11. MARKETING EXPENSES

	2021	2020
Salary of sales staff	718,902	833,252
Advertising expenses	217,257	223,309
Other sales expenses	17,055	-
	953,214	**1,056,561**

12. IMPAIRMENT AND WRITE OFF EXPENSE

	2021	2020, restated
Impairment of insurance premium receivable	439,773	787,979
Write-off of reinsurance receivable	-	5,479,884
Write-off of loans issued (other assets)	-	283,606
Recovery of impairment of loans issued (other assets)	68,235	(117,206)
Impairment and write off expense	**508,008**	**6,434,263**

13. INCOME TAX

	2021	2020
Current income tax expense	47,794	204,053
Deferred income tax expense	72,376	95,469
Write-off of current income taxes	-	(31,203)
Income tax expense	**120,170**	**268,319**

Reconciliation of income tax expense:

	2021	2020, restated
Profit before income tax expense	(392,615)	(5,520,561)
Tax thereon at 15%	**(58,892)**	**(828,084)**
Temporary differences	(72,376)	(95,469)
Permanent differences	179,062	1,127,606
Current income tax expense	**47,794**	**204,053**

Deferred tax liability comprises temporary differences attributable to:

	2021	2020, restated
Property and equipment	230,434	188,325
Acquisition costs	(36,660)	(11,950)
Subrogation receivable, net of reinsurance	-	141,924
Liabilities from insurance contracts	-	(128,366)
Lease liabilities	(151,047)	(219,582)
	42,727	**(29,649)**

NOTES (CONTINUED)

14. PROPERTY AND EQUIPMENT

	Building	Right-of-use assets	Computers and other technical equipment	Furniture and office equipment	Vehicles	Leasehold imp. and other	Total
Cost							
At 1 Jan 2020	**1,553,100**	**1,407,138**	**471,548**	**335,277**	**88,832**	**254,420**	**4,110,31[illegible]**
Additions	-	942,480	347,656	133,996	20,040	738,162	2,182,33[illegible]
Disposals	-	(563,625)	(9,030)	-	-	-	(572,655[illegible]
At 31 Dec 2020	**1,553,100**	**1,785,993**	**810,174**	**469,273**	**108,872**	**992,582**	**5,719,99[illegible]**
Additions	-	255,546	131,883	47,070	37,036	62,444	533,97[illegible]
Revaluation	1,908,021	-	-	-	-	-	1,908,02[illegible]
Transfer *	(374,310)	-	-	-	-	-	(374,310[illegible]
Disposals	-	(162,258)	-	-	(34,372)	-	(196,630[illegible]
At 31 Dec 2021	**3,086,811**	**1,879,281**	**942,057**	**516,343**	**111,536**	**1,055,026**	**7,591,05[illegible]**
Accumulated depreciation							
At 1 Jan 2020	**242,862**	**731,919**	**310,911**	**208,130**	**65,022**	**128,086**	**1,686,93[illegible]**
Depreciation for the period	65,724	363,516	85,423	52,147	10,577	106,742	684,12[illegible]
Disposals	-	(477,667)	(9,030)	-	-	-	(486,697[illegible]
At 31 Dec 2020	**308,586**	**617,768**	**387,304**	**260,277**	**75,599**	**234,828**	**1,884,36[illegible]**
Depreciation for the period	65,724	475,225	126,717	62,812	13,288	186,802	930,56[illegible]
Transfer *	(374,310)	-	-	-	-	-	(374,310[illegible]
Disposals	-	(76,885)	-	-	(50,432)	-	(127,317[illegible]
At 31 Dec 2021	-	**1,016,108**	**514,021**	**323,089**	**38,455**	**421,630**	**2,313,30[illegible]**
Net carrying amount							
At 31 Dec 2020	**1,244,514**	**1,168,225**	**422,870**	**208,996**	**33,273**	**757,754**	**3,835,63[illegible]**
At 31 Dec 2021	**3,086,811**	**863,173**	**428,036**	**193,254**	**73,081**	**633,396**	**5,277,75[illegible]**

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross.

The valuation of buildings (556 sq.m. office space on 3 Vazha-Pshavela ave., Tbilisi and 95 sq.m. office space on 16 Aghmashenebeli str., Poti) was performed on 30 December 2021 by independent valuator Nexia TA Ltd in accordance with International Valuation Standards (IVS) using market approach.

If the building was stated on a historical cost basis, the amounts would have been as follows:

	2021	2020
Cost	1,662,977	1,662,977
Accumulated depreciation	(625,461)	(558,942)
Net book value	**1,037,516**	**1,104,035**

The building is pledged as security for the loan from Procredit Bank JSC (Note 23).

NOTES (CONTINUED)

Depreciation has been charged entirely to general and administrative expenses.

For the year ending cost of fully depreciated Computers and other technical equipment equals to GEL 237,082 (2020: GEL 196,903). Furniture and office equipment equals to 161,342 (2020: GEL 104,258).

15. INTANGIBLE ASSETS

	Licenses	Computer software	Crypto-currency	Other	Total
Cost					
At 1 January 2020	**64,877**	**508,750**	-	**1,900**	**575,527**
Additions	-	274,230	-	0	274,230
At 31 December 2020	**64,877**	**782,980**	-	**1,900**	**849,757**
Additions	-	205,163	30,842	-	236,005
Revaluation expense	-	-	(2,810)	-	(2,810)
At 31 December 2021	**64,877**	**988,143**	**28,032**	**1,900**	**1,082,952**
Accumulated depreciation					
At 1 January 2020	**22,449**	**205,999**	-	**1,283**	**229,731**
Depreciation for the period	9,732	85,350	-	285	95,367
At 31 December 2020	**32,181**	**291,349**	-	**1,568**	**325,098**
Depreciation for the period	9,732	144,364	-	285	154,381
At 31 December 2021	**41,913**	**435,713**	-	**1,853**	**479,479**
Net carrying amount					
At 31 December 2020	**32,696**	**491,631**	-	**332**	**524,659**
At 31 December 2021	**22,964**	**552,430**	**28,032**	**47**	**603,473**

Amortisation has been charged entirely to general and administrative expenses.

16. INVESTMENT PROPERTY

	2021	2020
Land plots	602,300	602,300
Apartment under construction	60,500	160,500
	662,800	**762,800**

Land plots are located in Tbilisi (0.4 ha) and Tetritskaro (5 ha). Land plot of GEL 287,000 is sequestered by the court.

Apartment under construction is located in Batumi.

The property is not rented out.

NOTES (CONTINUED)

17. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

	2021	2020, restated
Unearned premium provision (UPR)	25,757,477	22,348,993
Provisions for claims reported by policyholders (RBNS)	27,299,690	20,209,485
Provisions for claims incurred but not reported (IBNR)	1,707,183	1,594,818
Liabilities from insurance contracts	**54,764,350**	**44,153,296**

Sensitivity Analysis - UPR

Increase in loss ratio by 10% (as result of increase of average claim or frequency/number of claims) – Increase by GEL 1,982,290 (2020: GEL 1,883,908)

Increase in Company's administrative expenses by 10% - Increase by GEL 286,344 (2020: GEL 261,259 GEL)

Sensitivity Analysis – RBNS

Increase in average claim by 10% - Increase by GEL 2,481,798 (2020: GEL 1,935,430)

Increase of delay in settlement by 10% (caused by deficit of cash) – Increase by GEL 535,975 (2020: GEL 691,253)

Sensitivity Analysis - IBNR

Increase in ultimate loss ratio by 10% for Q4 2019 (2018) AY (as result of increase of average claim and frequency/number of claims) – Increase by GEL 330,526 (2020: GEL 284,536)

Increase of delay in settlement by 10% (caused by delay of claim's reporting) – Increase by GEL 429,237 (2020: GEL 710,256)

Reinsurers' share in the liabilities from insurance contracts were as follows:

	2021	2020
Reinsurers' share in unearned premium provision (UPR)	1,856,308	1,659,828
Reinsurers' share in provisions for claims reported by policyholders (RBNS)	19,413,271	13,440,473
Reinsurers' share in provisions for claims incurred but not reported (IBNR)	188,680	195,381
Reinsurance assets	**21,458,259**	**15,295,682**

Liabilities from insurance contracts net of reinsurance were as follows:

	2021	2020
Unearned premium provision (UPR)	23,814,632	20,602,628
Provisions for claims reported by policyholders (RBNS)	7,886,419	6,769,012
Provisions for claims incurred but not reported (IBNR)	1,518,503	1,399,437
Net liabilities from insurance contracts	**33,219,554**	**28,771,077**

NOTES (CONTINUED)

a) Analyses of movement in UPR, gross of reinsurance:

	2021	2020
Balance at 1 January	**22,348,993**	**19,160,107**
Gross written premium	58,961,237	52,594,199
Gross earned premium	(55,552,753)	(49,405,313)
Balance at 31 December	**25,757,477**	**22,348,993**

b) Analyses of movement in UPR, reinsurer's share:

	2021	2020
Balance at 1 January	**1,659,828**	**1,423,635**
Reinsurer's share of gross written premium	3,773,592	3,907,613
Gross reinsurer's earned premium	(3,577,112)	(3,671,420)
Balance at 31 December	**1,856,308**	**1,659,828**

c) Analyses of movement in UPR, net of reinsurance:

	2021	2020
Balance at 1 January	**20,602,628**	**17,649,935**
Net written premium	55,187,645	48,686,586
Net earned premium	(51,975,641)	(45,733,893)
Balance at 31 December	**23,814,632**	**20,602,628**

d) Analyses of movement in claims provisions, gross of reinsurance:

	2021	2020, restated
Balance of incurred but not reported at 1 January	1,594,818	1,549,336
Balance of reported but not settled claims at 1 January	20,209,485	10,429,628
Total provisions for claims at 1 January	**21,804,303**	**11,978,964**
Payments in respect of prior year claims	(4,859,909)	(3,022,032)
Change in estimates in respect of prior year claims	(3,451,973)	53,799
Expected cost of current year claims	50,406,158	44,542,715
Payments in respect of current year claims	(34,891,706)	(31,749,143)
Total provisions for claims at 31 December	**29,006,873**	**21,804,303**
Balance of incurred but not reported at 31 December	1,707,183	1,594,818
Balance of reported but not settled claims at 31 December	27,299,690	20,209,485

NOTES (CONTINUED)

e) Analyses of movement in claims provisions, reinsurer's share:

	2021	2020
Balance of incurred but not reported at 1 January	195,381	210,117
Balance of reported but not settled claims at 1 January	13,440,473	5,640,641
Total provisions for claims at 1 January	**13,635,854**	**5,850,758**
Payments in respect of prior year claims	(311,761)	(617,965)
Change in estimates in respect of prior year claims	(2,142,642)	(10,583)
Expected cost of current year claims	9,362,276	11,214,916
Payments in respect of current year claims	(941,776)	(2,801,272)
Total provisions for claims at 31 December	**19,601,951**	**13,635,854**
Balance of incurred but not reported at 31 December	188,680	195,381
Balance of reported but not settled claims at 31 December	19,413,271	13,440,473

f) Analyses of movement in claims provisions, net of reinsurance:

	2021	2020, restated
Balance of incurred but not reported at 1 January	1,399,437	1,339,219
Balance of reported but not settled claims at 1 January	6,769,012	4,788,987
Total provisions for claims at 1 January	**8,168,449**	**6,128,206**
Payments in respect of prior year claims	(4,548,148)	(2,404,067)
Change in estimates in respect of prior year claims	(1,309,331)	64,382
Expected cost of current year claims	41,043,882	33,327,799
Payments in respect of current year claims	(33,949,930)	(28,947,871)
Total provisions for claims at 31 December	**9,404,922**	**8,168,449**
Balance of incurred but not reported at 31 December	1,518,503	1,399,437
Balance of reported but not settled claims at 31 December	7,886,419	6,769,012

g) RBNS by insurance products:

	31 December 2021			**31 December 2020, restated**		
	Provisions for claims reported by policyholders	**Reinsurers' share in RBNS**	**NET**	**Provisions for claims reported by policyholders**	**Reinsurers' share in RBNS**	**NET**
Suretyships	21,673,371	19,021,053	2,652,318	15,565,966	13,361,433	2,204,533
Medical (Health)	4,554,699	-	4,554,699	3,878,643	-	3,878,643
Aviation Transport	261,227	261,227	-	-	-	-
Property	185,636	78,640	106,996	200,990	78,640	122,350
Road Transport Means	180,738	12,228	168,510	216,553	400	216,153
Life	175,602	40,123	135,479	62	-	62
Cargo	71,511	-	71,511	55,794	-	55,794
Travel	52,202	-	52,202	108,466	-	108,466
Financial Loss Risks	50,873	-	50,873	49,843	-	49,843
Third Party Liability	31,556	-	31,556	32,069	-	32,069
MTPL (Compulsory)	27,688	-	27,688	49,352	-	49,352
Personal Accident	20,662	-	20,662	19,646	-	19,646
Motor TPL	13,925	-	13,925	32,101	-	32,101
Total	**27,299,690**	**19,413,271**	**7,886,419**	**20,209,485**	**13,440,473**	**6,769,012**

NOTES (CONTINUED)

h) IBNR by insurance products:

	IBNR 2020	IBNR net of reinsurance 2020	IBNR 2019	IBNR net of reinsurance 2019
Medical (Health)	827,253	827,253	689,928	689,928
Road Transport Means	284,823	268,410	242,773	231,091
Suretyships	175,091	70,594	200,713	85,135
Property	125,131	95,529	156,995	109,220
Third Party Liability	72,726	65,988	96,075	92,428
Motor Third Party Liability (Compulsory)	63,767	63,767	60,145	60,145
Motor Third Party Liability	37,304	37,304	35,779	35,779
Personal Accident	32,380	29,712	30,412	29,493
Cargo	30,113	24,663	11,402	8,039
Life	28,066	6,905	42,196	31,789
Travel	25,717	25,717	23,957	23,957
Financial Loss Risks	1,849	1,849	2,090	2,090
Aviation Transport Means (Hull)	1,844	357	1,883	231
Marine Transport Means (Hull)	1,119	457	469	112
Total	**1,707,183**	**1,518,503**	**1,594,818**	**1,399,437**

j) aging of Provisions for claims reported by policyholders (RBNS) based on claim dates for the year ended 31 December 2021 is presented below:

	Less than 1 year	1-5 year	more than 5 year	Total
Providers	4,503,201	-	-	4,503,201
Individual	51,498	-	-	51,498
Non-health	10,847,843	10,915,203	981,945	22,744,991
Total:	**15,402,542**	**10,915,203**	**981,945**	**27,299,690**

aging of Provisions for claims reported by policyholders (RBNS) based on claim dates for the year ended 31 December 2020 (restated) is presented below:

	Less than 1 year	1-5 year	more than 5 year	Total
Providers	2,568,908	203,755	1,079,769	3,852,432
Individual	26,212	-	-	26,212
Non-health	10,167,760	5,349,829	813,252	16,330,841
Total:	**12,762,880**	**5,553,584**	**1,893,021**	**20,209,485**

According to the agreements claims should be reported during 3 months after accident occurred.

NOTES (CONTINUED)

18. OTHER ASSETS

	2021	2020
Loans issued	2,744,948	2,403,775
Allowance for impairment losses	(548,990)	(480,755)
Net loans issued	**2,195,958**	**1,923,020**
Advances paid	85,663	17,219
Inventory	145,078	65,000
Prepayments to employees	16,248	8,354
Receivable from sale of investment property	111,000	-
Other receivables	54,108	80,448
OTHER ASSETS	**2,608,055**	**2,094,041**

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

Ageing of net loans issued is disclosed in Note 25

All the loans issued are collateralized.

As at 31 December, 2021 the company has 12 loans issued (2020: 11), out of which 4 loans are to individuals (2020: 4) and 8 to legal entities (2020: 7). All loan issued are in GEL and interest rate fluctuates from 10% to 20%.

All loans issued, besides one (2021: 63,000 GEL 2020: 179,597 GEL) are overdue and are impaired on group basis.

Interest income on loans issued is disclosed in Note 5.

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

	2021	2020
At 1 January	**480,755**	**597,961**
Charge for the year	68,235	(117,206)
At 31 December	**548,990**	**480,755**

Provisions, write-offs and utilization of the allowance for impairment losses are presented in the statement of profit or loss within impairment and write off expense (Note 12).

19. INSURANCE AND REINSURANCE RECEIVABLES

	2021	2020, Restated
Insurance premium receivable	28,551,340	26,300,013
Allowance for impairment losses	(3,379,018)	(2,939,245)
Net insurance premium receivable	**25,172,322**	**23,360,768**
Reinsurance receivable	5,320,616	3,535,663
Subrogation receivable net of impairment losses (Note 8)	26,825,842	20,675,834
Insurance receivables	**57,318,780**	**47,572,265**

The carrying amounts disclosed above reasonably approximate their fair values at year end.

NOTES (CONTINUED)

Insurance premium receivable excluding unearned premium and fronting agreements is GEL 8,429,464 (2020: GEL 6,446,291). The receivables are net of commissions that are payable if the receivables are collected.

Analysis of credit risk is provided in Note 25.

The table below analyses changes in the allowance for impairment losses in the period:

	2021	2020
At 1 January	**2,939,245**	**2,151,266**
Charge for the year	439,773	787,979
At 31 December	**3,379,018**	**2,939,245**

Provisions, write-offs and utilization of the allowance for impairment losses are presented in the statement of profit or loss within impairment and write off expense (Note 12).

20. CASH AND CASH EQUIVALENTS, AMOUNTS DUE FROM CREDIT INSTITUTIONS

a) Cash and cash equivalents and amounts due from credit institutions is presented below:

	2021	2020
Cash on current accounts with banks	6,059,486	2,296,547
Cash on hand	85,589	124,389
Cash and cash equivalents	**6,145,075**	**2,420,936**
Short-term deposits	7,517,120	6,135,196
Accrued interest	100,102	52,360
Amounts due from credit institutions	**7,617,222**	**6,187,556**

Short-term deposits include restricted cash placed on bank accounts to conform to the requirement of regulatory legislation (Note 25, paragraph of Capital Management).

At 31 December 2021 interest rates on deposits in national currency is in range 6 - 13.6% (2020: 6 – 13.5%), in USD: 1.5 – 3.95% (2020: 1.5 - 4.8%)

b) Into the Statement of financial position Cash and Cash equivalent owned by the company is split between two categories: Cash and Cash equivalent and Amount due from Credit institutions, category Amount due from Credit institutions contains Deposits placed on bank account and accrued interest accordingly. Cash and cash equivalent owned by the company and presented into Cash flow statement for the year end is presented below:

	2021	2020
Cash on current accounts with banks	6,059,486	2,296,547
Cash on hand	85,589	124,389
Short-term deposits	7,517,120	6,135,196
Amounts due from credit institutions	**13,662,195**	**8,556,132**

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

21. SHARE CAPITAL

From the Company's authorized share capital of GEL 5,000,000 (475,000 ordinary and 25,000 preference shares with a nominal value of GEL 10 each), GEL 4,550,210 (2020: GEL 3,485,210) is fully paid. Ordinary shareholders are

NOTES (CONTINUED)

presented in Note 1. 25,000 ordinary shares were converted into preference shares based on shareholders' decision made on 25 April 2018. Fixed dividends in amount of USD 2.88 per share has been paid on preference shares starting from 2019.

For the requirements of regulatory legislation regarding capital refer to Note 25, paragraph of Capital Management.

Revaluation surplus was recognized upon revaluation of property and equipment (Note 14).

22. OTHER INSURANCE LIABILITIES

	2021	2020, Restated
Reinsurance premium payable	6,358,439	4,967,216
Other payables to reinsurers	859,365	-
Reinsurers' share in subrogation receivable (Note 8)	22,270,928	16,682,846
Insurance agents' commission payable	2,477,283	2,201,591
Other insurance liabilities	**31,966,015**	**23,851,653**

Reinsurer's share in subrogation receivable is measured based on the percentage of reinsurance defined in policy agreement.

NOTES (CONTINUED)

23. BORROWINGS

	2021	2020
Procredit Bank JSC	2,362,232	2,612,713
Borrowings	**2,362,232**	**2,612,713**
Lease liabilities	1,006,983	1,463,879
Borrowings and lease liabilities	**3,369,215**	**4,076,592**

The borrowings are secured by the Company's property and its shares.

Interest of the loan from Procredit Bank JSC is 8.5% for loan in USD, 5.5% for loan in EUR and 11.26% for loan in GEL. These rates are used for discounting of lease payments to measure lease liabilities.

All borrowings are repayable within one-year scope. Interest and principal are paid monthly.

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

Additional information on borrowings is disclosed in Note 25.2, paragraphs of Liquidity and Currency Risks.

24. TRADE AND OTHER PAYABLES

	2021	2020
Accounts payable	861,593	839,334
Accruals for employee compensation	780,430	678,020
Deposits received to secure suretyships	2,821,296	571,060
Advances received	179,219	97,421
Taxes payable	285,656	183,738
Other payables	2,049	2,000
Trade and other payables	**4,930,243**	**2,371,573**

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

NOTES (CONTINUED)

25. RISK MANAGEMENT

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

Governance framework

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

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

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

Capital management objectives, policies and approach

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

The capital management objectives are:

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

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

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

NOTES (CONTINUED)

Approach to capital management

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

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

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

Capital Management

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

- Compliance with the requirements of Insurance State Supervision Services of Georgia;

- Maintaining the composition and structure of the assets accepted to cover insurance liabilities, when due and to exceed regulatory requirements; and

- Maintaining the required level of stability of the Company thereby providing a degree of security to policyholders.

Regulatory Requirements

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

Max (SRp, SRc), where the terms and notations used have the following meanings:

SRp - Solvency ratio calculated by the premium method;

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

As of 31 December 2021, Regulatory Solvency Margin is 8,819,101 GEL (31 December, 2020: 8,041,800 GEL).

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

The Company currently did not meet the regulatory capital requirement as required by insurance laws applicable in state of Georgia.

25.1. Insurance risk

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

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

NOTES (CONTINUED)

underwriting guidelines and limits, which stipulate who may accept what risks and the applicable limits. These limits are continuously monitored.

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

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

Geographical concentration of reinsurance premium payables are as follows: 59% - UK; 12% - Germany; 7% - USA.

NOTES (CONTINUED)

Insurance risk management

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

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

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the insured sector and the risk management procedures they adopted. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims reserve, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a reserve for IBNR and a reserve for reported claims not yet settled.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available.

At the end of each reporting period the Company assess whether its recognized insurance liabilities are adequate: the Company determines whether the amount of recognized insurance liabilities is less than the carrying amount that would be required if the relevant insurance liabilities were within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. If it is less, the insurer will recognize the entire difference in profit or loss and increase the carrying amount of the relevant insurance liabilities.

25.2. Financial risks

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

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

NOTES (CONTINUED)

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

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

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

FINANCIAL ASSETS	2021	2020, Restated
Cash and cash equivalents	6,145,075	2,420,936
Amounts due from credit institutions	7,617,222	6,187,556
Net insurance premium receivable (Note 19)	25,172,322	23,360,768
Reinsurance receivable	5,320,616	3,535,663
Net subrogation receivable (Notes 19 and 22)	4,554,914	3,992,988
Net loans issued (Note 18)	2,195,958	1,923,020
BALANCE AT 31 DECEMBER	**51,006,107**	**41,420,931**

FINANCIAL LIABILITIES	2021	2020, Restated
Net insurance claims (net RBNS and IBNR, Note 17)	9,404,922	8,168,449
Other insurance liabilities (Note 22)	9,695,087	7,168,807
Borrowings and lease liability	3,369,215	4,076,592
Trade and other payables	4,930,243	2,371,573
Current income tax	372,075	324,282
BALANCE AT 31 DECEMBER	**27,771,542**	**22,109,703**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, companied into Levels 1 to 3 based on the degree to which the fair value is observable:

	2021			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	6,145,075	-	-	6,145,075
Amounts due from credit institutions	-	7,617,222	-	7,617,222
Net insurance premium receivable (Note 19)	-	-	25,172,322	25,172,322
Reinsurance receivable	-	-	5,320,616	5,320,616
Net subrogation receivable (Notes 19 and 22)	-	-	4,554,914	4,554,914
Net loans issued (Note 18)	-	-	2,195,958	2,195,958
Total financial assets	**6,145,075**	**7,617,222**	**37,243,810**	**51,006,107**

NOTES (CONTINUED)

Financial liabilities				
Net insurance claims (net RBNS and IBNR, Note 17)	-	-	9,404,922	9,404,922
Other insurance liabilities (Note 22)	-	-	9,695,087	9,695,087
Borrowings and lease liabilities	-	-	3,369,215	3,369,215
Trade and other payables	-	-	4,930,243	4,930,243
Current income tax	-	-	372,075	372,075
Total financial liabilities	-	-	**27,771,542**	**27,771,542**

	2020, restated			
	FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	2,420,936	-	-	2,420,936
Amounts due from credit institutions	-	6,187,556	-	6,187,556
Net insurance premium receivable (Note 19)	-	-	23,360,768	23,360,768
Reinsurance receivable	-	-	3,535,663	3,535,663
Net subrogation receivable (Notes 19 and 22)	-	-	3,992,988	3,992,988
Net loans issued (Note 18)	-	-	1,923,020	1,923,020
Total financial assets	**2,420,936**	**6,187,556**	**32,812,439**	**41,420,931**
Financial liabilities				
Net insurance claims (net RBNS and IBNR, Note 17)	-	-	8,168,449	8,168,449
Other insurance liabilities (Note 22)	-	-	7,168,807	7,168,807
Borrowings and lease liabilities	-	-	4,076,592	4,076,592
Trade and other payables	-	-	2,371,573	2,371,573
Current income tax	-	-	324,282	324,282
Total financial liabilities	-	-	**22,109,703**	**22,109,703**

Credit risk

The Company controls its exposure to credit risk by dealing only with creditworthy counterparties. There are no significant concentrations of credit risk.

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

	2021	**2020, Restated**
Due from banks (Note 20)	13,676,708	8,484,103
Net past due insurance premium receivable (Note 19)	6,450,978	8,719,450
Reinsurance receivable	5,320,616	3,535,663
Net subrogation receivable (Notes 19 and 22)	4,554,914	3,992,988
Net loans issued (Note 18)	2,195,958	1,923,020
BALANCE AT 31 DECEMBER	**32,199,174**	**26,655,224**

NOTES (CONTINUED)

Aging analysis of past due insurance premium receivable, including fronting agreements:

Less than 31	2,167,053	520,938
Between 31-90	343,822	659,162
Between 91-180	580,447	1,479,718
Between 181-365	596,594	1,650,090
More than 365	6,142,080	7,348,787
Allowance for impairment losses	(3,379,018)	(2,939,245)
BALANCE AT 31 DECEMBER	**6,450,978**	**8,719,450**

Liquidity risk - maturity analysis

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

Liquidity position as at 31 December 2021:

FINANCIAL ASSETS	Less than 1 year	1-5 year	more than 5 year	Total
Cash and cash equivalents	6,145,075	-	-	6,145,075
Amounts due from credit institutions	7,617,222	-	-	7,617,222
Net insurance premium receivable (Note 19)	24,087,747	314,631	769,944	25,172,322
Reinsurance receivable	5,320,616	-	-	5,320,616
Net subrogation receivable (Notes 19 and 22)	4,554,914	-	-	4,554,914
Net loans issued (Note 18)	2,195,958	-	-	2,195,958
BALANCE AT 31 DECEMBER	**49,921,532**	**314,631**	**769,944**	**51,006,107**

FINANCIAL LIABILITIES	Less than 1 year	1-5 year	more than 5 year	Total
Net insurance claims (net RBNS and IBNR, Note 17)	9,404,922	-	-	9,404,922
Other insurance liabilities (Note 22)	9,695,087	-	-	9,695,087
Borrowings and lease liability	2,923,579	445,636	-	3,369,215
Trade and other payables	4,930,243	-	-	4,930,243
Current income tax	372,075	-	-	372,075
BALANCE AT 31 DECEMBER	**27,325,906**	**445,636**	-	**27,771,542**
LIQUIDITY POSITION	**22,595,625**	**-131,005**	**769,944**	**23,234,565**

Liquidity position as at 31 December 2020, restated:

FINANCIAL ASSETS	Less than 1 year	1-5 year	more than 5 year	Total
Cash and cash equivalents	2,420,936	-	-	2,420,936
Amounts due from credit institutions	6,187,556	-	-	6,187,556
Net insurance premium receivable (Note 19)	22,292,128	946,034	122,606	23,360,768
Reinsurance receivable	3,535,663	-	-	3,535,663
Net subrogation receivable (Notes 19 and 22)	3,992,988	-	-	3,992,988
Net loans issued (Note 18)	1,923,020	-	-	1,923,020
BALANCE AT 31 DECEMBER	**40,352,291**	**946,034**	**122,606**	**41,420,931**

NOTES (CONTINUED)

FINANCIAL LIABILITIES	Less than 1 year	1-5 year	more than 5 year	Total
Net insurance claims (net RBNS and IBNR, Note 17)	8,168,449	-	-	8,168,449
Other insurance liabilities (Note 22)	7,168,807	-	-	7,168,807
Borrowings and lease liability	3,189,529	887,063	-	4,076,592
Trade and other payables	2,371,573	-	-	2,371,573
Current income tax	324,282	-	-	324,282
BALANCE AT 31 DECEMBER	**21,222,640**	**887,063**	-	**22,109,703**
LIQUIDITY POSITION	**19,129,651**	**58,971**	**122,606**	**19,311,228**

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

Guarantee contracts are appropriately secured.

Foreign currency risk

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

Financial assets by currency

Financial assets as at 31 December are analyzed by currency as follows:

	GEL	USD	EUR	Total
Cash and cash equivalents	3,331,479	2,470,898	342,698	6,145,075
Amounts due from credit institutions	3,879,263	3,737,959	-	7,617,222
Past due insurance premium receivable	7,266,896	2,370,754	192,346	9,829,996
BALANCE AT 31 DECEMBER 2021	**14,477,638**	**8,579,611**	**535,044**	**23,592,293**
Cash and cash equivalents	2,116,397	303,332	1,207	2,420,936
Amounts due from credit institutions	2,232,719	3,954,837	-	6,187,556
Past due insurance premium receivable	6,063,472	5,468,635	126,588	11,658,695
BALANCE AT 31 DECEMBER 2020	**10,412,588**	**9,726,804**	**127,795**	**20,267,187**

Financial liabilities by currency

The following table analyses the breakdown of liabilities by currency.

	GEL	USD	EUR	Total
Borrowings	697,443	4,185	1,660,604	2,362,232
Lease liabilities	-	1,006,983	-	1,006,983
BALANCE AT 31 DECEMBER 2020	**697,443**	**1,011,168**	**1,660,604**	**3,369,215**
Borrowings	697,443	4,257	1,911,013	2,612,713
Lease liabilities	63,793	1,400,086	-	1,463,879
BALANCE AT 31 DECEMBER 2019	**761,236**	**1,404,343**	**1,911,013**	**4,076,592**

NOTES (CONTINUED)

Sensitivity analysis

A 10% increase / decrease in the exchange rate of GEL/USD would increase / cut profits after tax by GEL 643,317 (2020: GEL 707,409).

A 10% increase / decrease in the exchange rate of GEL/EUR would cut / increase profits by 95,673 GEL (2020: GEL 151,574).

27. RELATED PARTY TRANSACTIONS

Only material transactions with related parties were loans issued GEL 1,116,092 as of 31-12-2021 and GEL 897,983 as of 31-12-2020 (Other assets, Note18) and corresponding interest income GEL 172,009 for 2021 and GEL 97,587 for 2020 (Note 5).

Compensation of key management personnel was as follows:

	2021	**2020**
Key management salary	1,097,041	672,289
Key management commission	18,439	36,671

28. CONTINGENCY(IES) AND COMMITMENT(S)

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

29. EVENTS AFTER REPORTING DATE

These financial statements were authorized for issue by the management on 26 April 2022.