JSC Insurance Company Aldagi Group

Consolidated financial statements

for the year ended 31 December 2022
together with independent auditor's report

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Independent auditor's report

To the Shareholder and Supervisory Board of JSC Insurance company Aldagi

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of JSC Insurance company Aldagi and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Other information included in the Group's 2022 Management Report

Other information consists of the information included in the Group's 2022 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 Management Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and Supervisory Board for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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Report on Supplementary Financial Information

Our audit was conducted for the purpose of expressing an opinion on the consolidated financial statements of the Group taken as a whole. The consolidating schedules accompanying the consolidated financial statements which have been disclosed as supplementary financial information in the Appendix to the consolidated financial statements is the responsibility of the management and are presented for the purpose of additional analysis as requested by Insurance State Supervision Service of Georgia and are not within the scope of IFRS. Such supplementary financial information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, has been properly prepared, in all material respects, in relation to the Group's consolidated financial statements taken as whole.

Ruslan Khoroshvili

On behalf of EY LLC

Tbilisi, Georgia

20 March 2023

Consolidated statement of financial position

As at 31 December 2022

(Thousands of Georgian lari)

	Notes	*2022*	*2021*
Assets			
Cash and cash equivalents	5	12,191	11,181
Bank deposits	6	45,584	28,273
Available-for-sale financial assets	7	9,447	7,710
Equity investments at FVTPL	8	17,253	25,158
Insurance and reinsurance receivables	9	57,762	50,923
Loan issued	11	4,638	2,646
Ceded share of technical provisions	19	24,383	19,199
Current income tax assets		217	481
Deferred income tax assets	10	456	1,111
Deferred acquisition costs	12	4,870	4,720
Property and equipment	13	6,831	6,602
Right-of-use assets	20	2,540	3,432
Goodwill and other intangible assets	14	19,519	18,554
Pension fund assets	15	4,899	4,628
Other assets	17	3,736	3,954
Total assets		**214,326**	**188,572**
Equity	18		
Share capital			
- ordinary shares		1,889	1,889
- preferred shares		18,647	18,647
Additional paid-in capital		8,662	7,834
Retained earnings		57,023	56,255
Total equity		**86,221**	**84,625**
Liabilities			
Gross technical provisions	19	70,858	59,332
Other insurance liabilities	22	36,074	24,787
Current income tax liabilities		219	75
Lease liabilities	23	2,158	3,355
Pension fund liabilities	15	4,899	4,628
Other liabilities	24	13,897	11,770
Total liabilities		**128,105**	**103,947**
Total equity and liabilities		**214,326**	**188,572**

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

Giorgi Baratashvili — General Director

Nino Jibladze — Financial Director

20 March 2023

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2022

(Thousands of Georgian lari)

	Notes	*2022*	*2021*
Assets			
Cash and cash equivalents	5	12,191	11,181
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Giorgi Baratashvili General Director

Nino Jibladze Financial Director

20 March 2023

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Consolidated statement of comprehensive income

For the year ended 31 December 2022

(Thousands of Georgian lari)

	Notes	*2022*	*2021*
Gross earned premiums on insurance contracts		137,479	122,794
Reinsurers' share of earned premiums on insurance contracts		(38,968)	(36,304)
Net insurance revenue	26	**98,511**	**86,490**
Gross insurance claims expenses		(58,145)	(50,588)
Reinsurer's share of insurance claims expenses		9,290	4,950
Claim settlement expenses		(2,318)	(1,911)
Income from regress and salvages		5,647	5,653
Net insurance claims and claims settlement expenses	27	**(45,526)**	**(41,896)**
Acquisition costs, net of reinsurance	28	(12,054)	(10,377)
Net underwriting profit		**40,931**	**34,217**
Investment income	29	5,420	5,496
Pension fund asset management fee		313	613
Investment profit		**5,733**	**6,109**
Salaries and other employee benefits	30	(14,129)	(12,367)
General and administrative expenses	31	(4,482)	(3,630)
Depreciation and amortization expenses	13, 14, 20	(2,516)	(2,235)
Insurance and reinsurance receivables impairment charge	16	(420)	(287)
Net other operating income	32	750	1,118
Other expenses		**(20,797)**	**(17,401)**
Operating profit		**25,867**	**22,925**
Foreign exchange losses		(127)	(1,710)
Interest expense		(191)	(270)
Net losses from revaluation of equity investments at fair value	8	(5,351)	(841)
Net non-recurring items	33	–	640
Pre-tax profit		**20,198**	**20,744**
Income tax expense	10	(4,202)	(3,111)
Net profit and total comprehensive income		**15,996**	**17,633**

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

(Thousands of Georgian lari)

	Notes	*Ordinary share capital*	*Preferred shares*	*Additional paid-in capital*	*Retained earnings*	*Total equity*
31 December 2020		**1,889**	**–**	**7,298**	**55,518**	**64,705**
Total comprehensive income		–	–	–	17,633	**17,633**
Issuance of preferred shares	18	–	18,647	–	–	**18,647**
Share based transactions		–	–	536	–	**536**
Dividends to the shareholder	18	–	–	–	(16,896)	**(16,896)**
31 December 2021		**1,889**	**18,647**	**7,834**	**56,255**	**84,625**
Total comprehensive income		–	–	–	15,996	**15,996**
Share based transactions		–	–	828	–	**828**
Dividends to the shareholder	18	–	–	–	(15,228)	**(15,228)**
31 December 2022		**1,889**	**18,647**	**8,662**	**57,023**	**86,221**

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

(Thousands of Georgian lari)

	Notes	*2022*	*2021*
Cash flows from operating activities			
Insurance premiums received		124,581	109,793
Reinsurance premiums paid		(18,329)	(20,602)
Insurance benefits and claims paid		(43,594)	(48,414)
Reinsurance claims received		525	1,342
Acquisition costs paid		(12,826)	(9,888)
Salaries and benefits paid		(12,278)	(12,905)
Interest received		4,280	6,746
Interest paid on repurchase agreement		–	(46)
Interest paid on lease liabilities	23	(175)	(295)
Operating taxes paid		(342)	(226)
Other operating income received		345	793
Other operating expenses paid		(4,243)	(4,006)
Net change in other operating assets and liabilities		2,754	240
Net cash flows from operating activities before income tax		**40,698**	**22,532**
Income tax paid		(3,138)	(3,557)
Net cash flows from operating activities		**37,560**	**18,975**
Cash flows used in investing activities			
Purchase of premises and equipment		(493)	(461)
Proceeds from sale of premises and equipment		–	1,713
Purchase and development of intangible assets		(1,710)	(1,544)
Loan issued		(12,408)	(25,623)
Proceeds from repayment of loan issued		10,070	34,020
Settlement of forward agreements	21	1,873	–
Net (placement)/ withdrawal of bank deposits		(15,535)	2,119
Purchase of equity investments at fair value		–	(23,400)
Purchase of available-for-sale assets		(3,966)	(1,954)
Proceeds from available-for-sale assets		1,435	1,000
Net cash flows used in investing activities		**(20,734)**	**(14,130)**
Cash flows from financing activities			
Proceeds from issuance of preference shares	18	–	18,647
Contributions under share-based payment plan		–	(824)
Dividend paid	18	(15,000)	(15,013)
Repayment of repurchase agreement		–	(570)
Repayment of lease liabilities	23	(703)	(938)
Net cash flows (used in) from financing activities		**(15,703)**	**1,302**
Effect of exchange rates changes on cash and cash equivalents		(113)	(526)
Net increase in cash and cash equivalents		**1,010**	**5,621**
Cash and cash equivalents, 1 January		11,181	5,560
Cash and cash equivalents, 31 December	5	**12,191**	**11,181**

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

(Thousands of Georgian lari unless otherwise stated)

1. Principal activities

JSC Insurance Company Aldagi was established on 11 August 1998 under the laws of Georgia. Together with its subsidiaries, up until 1 August 2014, it offered wide range of health insurance products, property and casualty products, and provided medical services to inpatient and outpatient customers through a network of hospitals and clinics throughout the whole Georgian territory. In 2014, JSC Insurance Company Aldagi ("pre-split Aldagi") and its subsidiaries ("pre-split Aldagi Group") began a corporate reorganization in order to separate healthcare and health insurance business from property and casualty insurance business.

As a result of the reorganization, on 1 August 2014, pre-split Aldagi's property and casualty business was separated from health insurance business and transferred to a newly established legal entity retaining the same brand name, JSC Insurance Company Aldagi (the "Company") (ID: 404476189), registered by LEPL National Agency of Public Registry of Ministry of Justice of Georgia.

The Company possesses two types of insurance licences issued by the Insurance State Supervision Service of Georgia (ISSSG) for life and non-life insurance products, as well as a licence to act as a pension fund. The Company offers various life and non-life insurance services and insurance products relating to property, liability, and others. The main office of the Company is located in Tbilisi and it has nine additional service centers in Tbilisi, Batumi, Poti, Kutaisi, Zugdidi, Telavi and Gori. The Company's legal address is 66A, David Aghmashenebeli Alley, 0131 Tbilisi, Georgia

The Company is the parent of the following enterprises incorporated in Georgia (together representing the "Aldagi Group" or the "Group").

Subsidiary	*Ownership/voting 31 December 2022*	*Ownership/voting 31 December 2021*	*Date of incorporation*	*Industry*	*Date of acquisition*
Aliance, LLC	100%	100%	1 March 2000	Other	30 April 2012
Auto Way, LLC	100%	100%	27 December 2010	Services	30 April 2012
JSC Insurance Company Tao	100%	100%	22 August 2007	Insurance	1 May 2015

The Group is a founder of a non-profit (non-commercial) legal entity Compulsory Insurance Center ("the Center") established in accordance with the legislation of Georgia for the management of compulsory insurance by the 18 insurers participating in the insurance system. In accordance with the legislation, upon entry of the foreign-registered vehicle into the territory of Georgia, the owner/driver of the vehicle shall be obliged to provide third party liability insurance for its vehicle during his/her stay in Georgia. The Center's place of operation is Georgia and its purpose is to administer sales and claims settlement processes related to this compulsory insurance. The Group has 11.11% (31 December 2021: 11.11%) participating share held in the Center, through which it participates in joint insurance of third party liability for drivers of the foreign-registered vehicles and recognizes the respective assets, liabilities, income and expenses based on its interest in the Center.

As at 31 December 2022 and 2021, the Group's ordinary share capital was 100% owned by JSC A Group, while the Group's preferred shares as at 31 December 2022 were 100% owned by Georgia Capital JSC, JSC A Group's parent. The ultimate controlling party of the Group is Georgia Capital plc, an entity incorporated in the United Kingdom and listed on the London Stock Exchange.

COVID-19 impact on the Group

The insurance industry has not escaped COVID-19 impact but insurers have responded quickly to the crisis. With COVID-19's significant impact on economic activity and employment levels at a local, regional and global level, consumer spending power has reduced significantly over a short period.

The demand for the products offered by the Group is stable and the recoverability and aging of insurance premiums receivable was not materially affected by the pandemic environment.

There are visible signs of post-COVID recovery which can be observed from Group's net insurance revenues, which increased over the year ended 31 December 2022 by 13.9% as compared to similar prior year period, mainly driven by the boost in retail client portfolio. Net insurance claims incurred during the year ended 31 December 2022 have also increased by 8.2% as compared to the last year, reflecting overall portfolio growth.

Furthermore, the Group's goodwill, intangible assets and property, plant and equipment have not been impaired as the result of COVID-19 outbreak. Overall, the Group's financial and liquidity position, solvency and its operating performance is healthy and is anticipated by the management to be so in foreseeable future.

Management continues to closely monitor ongoing challenges and take rapid actions in order to promote smooth running of the business operations.

(Thousands of Georgian lari unless otherwise stated)

1. Principal activities (continued)

War in Ukraine

As a result of the war in Ukraine, many leading countries and economic unions have announced severe economic sanctions on Russia and Belarus, including Russian banks, other entities and individuals. Since the start of the war, there has been a significant volatility of the Russian ruble against foreign currencies, as well as significant loss of value on the securities markets in Russia and of Russian companies listed in other markets. The situation is still unfolding, but it has already resulted in a humanitarian crisis and huge economic losses in Ukraine, Russia and the rest of the world. Ukraine and Russia are important trade partners of Georgia. It is expected that the war will have a significant impact on the Georgian economy. As the war is still waging, it is impossible to reliably assess the impact this may have on the Group's business as there is uncertainty over the magnitude of the impact on the economy in general. The Group's management is monitoring the economic situation in the current environment.

In 2022, the Group incurred GEL 6,2 million unrealised losses on equity investments in funds backed by publicly traded securities (of which GEL 5.4 million unrealised losses related to investments held to manage proceeds from preference shares) in Eastern Europe, including Russia and Ukraine. By the end of 2022, the composition of the portfolio has changed and the share of Russian and Ukrainian treasury and corporate bonds have decreased significantly, amounting to 2% and 9% of the total funds' portfolio, respectively.

2. Basis of preparation

General

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. These consolidated financial statements are presented in thousands of Georgian lari ("GEL"), except for per share amounts or unless otherwise indicated. The Group presents its consolidated statement of financial position broadly in order of liquidity.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

3. Summary of significant accounting policies

Adoption of new or revised standards and interpretations and changes in accounting policies and disclosures

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group:

- Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 Leases – PPE: Proceeds before Intended Use
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations, including common control business combinations, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair values. Acquisition-related costs are expensed as incurred and included in other operating expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Joint operations

For joint operations, the Group recognises in relation to its interest its:

- Assets, including its share of any assets held jointly;
- Liabilities including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation;
- Expenses, including its share of any expenses incurred jointly.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss (for common control business combinations the gain is recognised as equity contribution).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Goodwill (continued)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance and reinsurance receivables

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

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

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

Gross technical provisions

Gross technical provisions include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. General business contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. 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 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. At each reporting date the carrying amount of unearned premium is calculated on active policies based on the insurance period and time until the expiry date of each insurance policy. The Group reviews its unexpired risk based on historical performance of separate business lines to determine overall change in expected claims. The differences between the unearned premium reserves, loss provisions and as well as the expected claims are recognised in the consolidated statement of comprehensive income by setting up a provision for premium deficiency.

Ceded share of technical provisions

The Group cedes insurance risk in the normal course of business for all of its businesses. Ceded share of technical provisions represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Ceded share of technical provisions (continued)

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated statement of comprehensive income. The reinsurers' share of each unexpired risk provision is recognised on the same basis. Ceded share of technical provisions are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Deferred acquisition costs

Deferred acquisition costs ("DAC") that are directly attributable to contract acquisition (mostly represented by sales agents' and brokerage commissions) are capitalized and amortized on a straight line basis over the life of the contract. All other acquisition costs (such as marketing expenses) are recognised as an expense when incurred. Acquisition costs deferred consist of commissions to sales agents and brokerage companies assisting in policy issuance.

Cash and cash equivalents

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

Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss is a financial asset that is either:

- Classified as held for trading; or
- Upon initial recognition it is designated by the entity as at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised at fair value. After initial recognition, subsequent gains or losses arising from changes in fair value are recognised in profit or loss until the investment is derecognised or until the investment is determined to be impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortization process.

Regress and other receivables are recognised at their original invoiced value. Where the time value of money is material, receivables are carried at amortized cost.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated statement of comprehensive income. However, interest calculated using the effective interest method is recognised in the consolidated statement of comprehensive income.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Offsetting

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

Allowances for impairment of loans and receivables

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

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

Assets carried at amortized cost

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

When an asset is uncollectible, it is written off against the related allowance for impairment. Such assets are written off after all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the consolidated statement of comprehensive income.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

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

Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at the end of each reporting period. Fair values of financial instruments measured at amortised cost are disclosed in Note 35.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of comprehensive income as an expense.

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

	Years
Office buildings	50
Furniture and fixtures	5-10
Computers and equipment	5-10
Motor vehicles	5

Leasehold improvements are depreciated over the life of the related leased asset or the expected lease term if lower.

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

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

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Property and equipment (continued)

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

Assets under construction comprises costs directly related to construction of property and equipment including an appropriate allocation of directly attributable variable and fixed overheads that have been incurred during the construction. Depreciation of these assets, on the same basis as similar property assets, commences when the assets are available for use.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate (unless they are incurred to produce inventories) are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to the lease of vehicles and equipment across the Group, exemption will not be applied to the lease of real estate. The Group will apply low value lease exemption to its low value leases such as computers and furniture (assets with a value, when new, of US$5,000 or less). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Leases (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Pension fund assets and liabilities

The Group provides management and employees of the Group, management and employees of the former parent of the Group, Bank of Georgia Group plc and its entities, management and employees of the parent of the Group and other Georgia Capital plc entities and Group non-related broad client base with private pension plans. These are defined contribution pension plans covering substantially all full-time employees of the Group and employees of other related or non-related entities. The Group collects contributions from its employees as well as employees of other clients. When an employee reaches the pension age, aggregated contributions, plus any income earned on the employee's behalf are paid to the employee according to the schedule agreed with the client. Aggregated amounts are distributed during the period when the employee will receive accumulated contributions. In case of leaving the occupied position, the employee is entitled to accumulated contributions in form of a lump sum.

The Group holds the licence to act as a pension fund (Note 1). Under this licence the Group is authorized to receive pension contribution from the population of Georgia, with obligation to repay contributions plus earnings.

Assets and liabilities of the Fund are accounted for within Pension fund assets and Pension fund liabilities. Pension fund assets and Pension fund liabilities are measured under IAS 39 at amortized cost or fair value, depending on classification made at initial recognition. The Group does not guarantee any investment income to the participants of the investment plan.

Borrowings

Borrowings are initially recognised at fair value plus directly attributable transaction costs.

After initial recognition, these are measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

A borrowing is derecognised when the obligation under the liability is discharged or cancelled or expires.

Non-recurring items

The Group separately classifies and discloses those income and expenses that are non-recurring by nature. The Group defines non-recurring income or expense as an income or expense triggered by or originated from an economic, business or financial event that is not inherent to the regular and ordinary business course of the Group and is caused by uncertain or unpredictable external factors that cannot be reasonably expected to occur in the future and thus they should not be taken into account when making projections of the future results.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Taxation

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

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (applicable to undistributed profits) that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Georgia also has various operating taxes that are assessed on the Group's activities. These taxes are included as a component of other operating expenses.

Intangible assets

Intangible assets include computer software and licenses.

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives of 4 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

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

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is more probable than not.

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Share-based payment transactions

Top and middle management executives of the Group receive share-based remuneration settled in equity instruments of the Group, of JSC A Group (parent of the Group) and the Group's ultimate parent, Georgia Capital plc.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Share-based payment transactions (continued)

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date based on market. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value of shares at the grant date. The cost of equity settled transactions is recognised together with the corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated income statement charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for the awards that do not ultimately vest except for the awards where vesting is conditional upon market conditions which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of the modification. Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as the replacement award on the date that it is granted, the cancelled and the new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Share capital

Share capital

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

Dividends

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

Income and expense recognition

Premiums written

Insurance premiums written are recognised on policy inception and earned on a pro rata basis over the term of the related policy coverage. Insurance premiums written reflect business incepted during the year, are shown before deduction of commission and exclude any sales-based taxes or duties. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are computed principally on monthly pro rata basis.

Premiums ceded

Premiums payable in respect of reinsurance ceded are recognised in the period in which the reinsurance contract is entered into and include estimates where the amounts are not determined at the reporting date. Premiums are expensed over the period of the reinsurance contract, calculated principally on a daily pro rata basis.

Provision for unearned premiums

The proportion of written premiums attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the consolidated statement of comprehensive income in the order that revenue is recognised over the period of risk or, for annuities, the amount of expected future benefit payments.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Income and expense recognition (continued)

Benefits and claims

Life insurance business claims reflect the cost of all claims incurred during the year, including claims handling costs. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Benefits recorded are then accrued to the liability.

General insurance claims incurred include all claim losses occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include any part of the general administrative costs directly attributable to the claims function.

Foreign currency translation

The consolidated financial statements are presented in Georgian lari, which is the Company's and its subsidiaries functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Georgian lari at official exchange rates declared by the National Bank of Georgia ("NBG") and effective as at the reporting date.

Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of comprehensive income as foreign exchange gains/(losses).

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBG exchange rate on the date of the transaction are included in foreign exchange losses. The official NBG exchange rates at 31 December 2022 and 31 December 2021 were 2.7020 and 3.0976 Georgian lari to 1 US dollar, respectively.

Derivative financial instruments

As part of its risk management strategy, the Group uses foreign exchange contracts to manage exposures resulting from changes in foreign currency exchange rates. Such financial instruments are initially recognised and are subsequently measured at fair value. The fair values are estimated based on pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of comprehensive income in foreign exchange losses.

Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements which may have impact on the Group's financial statements are disclosed below. The Group intends to adopt these standards when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023.

Changes to classification and measurement

The adoption of IFRS 17 will not change the classification of the Group's insurance contracts.

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group.

Under IFRS 17, all or majority of the Group's insurance contracts issued and reinsurance contracts held are eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart;
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision);
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses;
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Group will capitalise its insurance acquisition cash flows for all product lines.

The Group will allocate the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

Changes to presentation and disclosure

For presentation in the consolidated statement of financial position, the Group will aggregate insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets;
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the consolidated statement of profit or loss and other comprehensive income will be changed significantly compared with the current period. Previously, the Company reported the following line items:

- Gross written premiums;
- Net written premiums;
- Changes in premium reserves;
- Gross insurance claims;
- Net insurance claims.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue;
- Insurance service expenses;
- Insurance finance income or expenses;
- Income or expenses from reinsurance contracts held.

The Group will provide disaggregated qualitative and quantitative information about:

- Amounts recognised in its consolidated financial statements from insurance contracts;
- Significant judgements, and changes in those judgements, when applying the standard.

Transition

For transition date, 1 January 2023, the Group:

- Will identify, recognise and measure each group of insurance contracts as if IFRS 17 had always applied;
- Will identify, recognise and measure assets for insurance acquisition cash flows as if IFRS 17 has always applied;
- Will derecognise any existing balances that would not exist had IFRS 17 always applied;
- Will recognise any resulting net difference in equity.

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Group elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

The Group will apply IFRS 9 retrospectively and restate comparative information for financial instruments in the scope of IFRS 9 in its consolidated financial statements for the year ending 31 December 2023. Differences arising from the adoption of IFRS 9 will be recognised in retained earnings as at 1 January 2022.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) will be replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Group);
- Debt instruments at amortised cost.

Changes to the impairment calculation

The adoption of IFRS 9 will fundamentally change the Group's accounting for impairment losses for debt instruments held at FVOCI or amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full LTECL.

(Thousands of Georgian lari unless otherwise stated)

3. Summary of significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

The adoption of the ECL requirements of IFRS 9 will result in increases in impairment allowances in respect of the Group's debt instruments. The increase in allowance will be adjusted to retained earnings.

The Group expects to have a not significant impact on the Group's consolidated financial statements from application of IFRS 9.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group will not be affected by these amendments on the date of transition.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The Group will not be affected by these amendments on the date of transition.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

(Thousands of Georgian lari unless otherwise stated)

4. Significant accounting judgments, estimates and assumptions

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Claims liability arising from insurance contracts

The estimation of the ultimate liability arising from claims made under life and general insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately pay for those claims.

Estimates have to be made jointly for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. General insurance claims provisions are not discounted for the time value of money.

The ultimate cost of reserves is estimated by using a Chain ladder method. The main assumption underlying this technique is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, this method extrapolates the development of paid and incurred losses, average costs per claim and claim numbers based on the observed monthly development of past year and expected loss ratios.

The carrying value of insurance claims provisions as at 31 December 2022 was GEL 21,084 (2021: GEL 11,143). For more details on insurance claims provisions please refer to Note 19.

Allowance for impairment of insurance receivables and reinsurance receivables

The Group regularly reviews its insurance and reinsurance receivables to assess impairment. For accounting purposes, the Group uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include significant financial difficulty of the customer and/or breach of contract such as default of payment. The amount of allowance is reduced by an amount of debt that the Group has adequate reasons to believe will be recovered. Management judgment is that historical trends can serve as a basis for predicting incurred losses and that this approach can be used to estimate the amount of recoverable debts as at the reporting period end. The carrying amount of allowance on insurance and reinsurance receivables as at 31 December 2022 was GEL 6,424 (2021: GEL 6,700). For further details on allowance for impairment of insurance receivables and reinsurance receivables are disclosed in Note 9 and 16.

Allowance for loans issued

The Group regularly reviews its loans issued for impairment purposes on an individual basis. The Group recognises losses when objective evidence exists that portion of loans issued is irrecoverable (e.g. breach of contractual terms, financial difficulty of counteragent). No allowance was recognized for loans issued as at 31 December 2022 and 31 December 2021, as the Group did not identify any objective evidence of incurred impairment losses in relation to those assets (Note 11).

5. Cash and cash equivalents

Cash and cash equivalents as at 31 December comprise:

	2022	***2021***
Current accounts	12,191	11,181
Total cash and cash equivalents	**12,191**	**11,181**

As at 31 December 2022 cash and cash equivalents of the Company on stand-alone basis comprise GEL 11,555 (2021: GEL 10,379). The ISSSG requirement is to maintain minimum level of cash and cash equivalents at 10% of the technical provisions subject to reservation as defined by ISSSG regulatory reserve requirement resolution, which as at the reporting date amounts to GEL 2,772 (2021: GEL 1,831). Pension fund cash and cash equivalents which comprise GEL 1,195 (2021: GEL 739) (Note 15) are also eligible in minimum level requirements.

(Thousands of Georgian lari unless otherwise stated)

6. Bank deposits

Bank deposits as at 31 December comprise:

	2022	*2021*
JSC TBC Bank	9,891	9,959
JSC Credo Bank	13,964	9,043
JSC Bank of Georgia	21,112	7,043
JSC Halyk Bank	617	1,126
JSC VTB Bank	–	1,102
Total bank deposits	**45,584**	**28,273**

Bank deposits are represented by short-term (for 3 to 12 months) and medium-term placements (from 13 to 24 months) with Georgian banks and earn annual interest of 10.75% to 14.80% (2021: 10.20% to 15.40%).

7. Available-for-sale financial assets

Available-for-sale financial assets as at 31 December 2022 comprise:

2022	*Carrying value*	*Currency*	*Type of the security*	*Maturity*	*Nominal rate*
Tegeta Motors LLC	504	GEL	Bond	December, 2025	14.65%
JSC TBC Bank	516	USD	Bond	June, 2024	5.75%
JSC TBC Bank	858	USD	Bond	June, 2024	7.82%
JSC TBC Bank	1,086	USD	Bond	August, 2024	5.00%
JSC Silknet	559	USD	Bond	January, 2027	8.38%
IG Development Georgia LLC	417	USD	Bond	January, 2024	6.75%
Georgia Capital JSC	1,102	USD	Bond	March, 2024	6.13%
JSC Georgian Renewable Power Company	1,372	USD	Bond	October, 2027	7.00%
JSC Georgia Real Estate	1,009	USD	Bond	October, 2024	8.50%
JSC Microfinance Organization Swiss Capital	108	USD	Promissory note	June, 2023	7.50%
JSC Microfinance Organization Swiss Capital	1,250	GEL	Promissory note	August, 2023 October, 2023	14.00%
JSC Microfinance Organization Swiss Capital	135	USD	Promissory note	August, 2023	7.50%
JSC Microfinance Organization Rico Express	531	GEL	Promissory note	January, 2023	13.00%
Total non-pledged available-for-sale financial assets	**9,447**				

Available-for-sale financial assets as at 31 December 2021 comprise:

2021	*Carrying value*	*Currency*	*Type of the security*	*Maturity*	*Nominal rate*
Georgia Capital PLC	1,264	USD	Bond	March, 2024	6.13%
JSC TBC Bank	1,246	USD	Bond	August, 2024	5.00%
JSC TBC Bank	930	USD	Bond	June, 2024	7.82%
JSC TBC Bank	630	USD	Bond	June, 2024	5.75%
Tegeta Motors LLC	308	GEL	Bond	April, 2022	14.75%
JSC M2 Real Estate	1,159	USD	Bond	October, 2022	7.50%
Georgian Leasing Company, LTD	1,144	USD	Bond	August, 2022	7.50%
JSC Microfinance Organization Swiss Capital	750	GEL	Promissory note	July, 2022 August, 2022 September, 2022	13.00%
JSC Microfinance Organization Swiss Capital	279	USD	Promissory note	August, 2022 June, 2023	7.50%
Total available-for-sale financial assets	**7,710**				

(Thousands of Georgian lari unless otherwise stated)

8. Equity investments at FVTPL

Equity investments at fair value through profit or loss as at 31 December 2022 comprise:

	2022	*2021*
Investment in shares of the ultimate parent	1,639	2,856
Investment in redeemable shares (held for own use)	3,123	4,460
Investment in redeemable shares (held to manage proceeds from preference shares) (Note 18)	12,491	17,842
Total loans issued	**17,253**	**25,158**

Revaluation loss on investment in redeemable shares (held for own use) amounted to GEL 878 (2021: GEL 187) (Note 28), recognized in Investment income, while revaluation loss on investment in redeemable shares held to manage proceeds from preference shares amounted to GEL 5,351 (2021: GEL 841), recognized in net losses from revaluation of equity investments at fair value.

9. Insurance and reinsurance receivables

Insurance and reinsurance receivables as at 31 December comprise:

	2022	*2021*
Due from policyholders	60,367	55,988
Due from reinsurers	3,819	1,635
	64,186	**57,623**
Less – allowance for impairment for amounts due from policyholders (Note 16)	(6,424)	(6,700)
Total insurance and reinsurance receivables	**57,762**	**50,923**

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

10. Taxation

The corporate income tax expenses comprise:

	2022	*2021*
Current tax charge	3,547	3,111
Deferred tax charge – origination and reversal of temporary differences	655	–
Income tax expense	**4,202**	**3,111**

Georgian legal entities must file individual tax declarations. The corporate tax rate was 15% for 2022 (2021: 15%).

The effective income tax rate differs from the statutory income tax rates.

As at 31 December a reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2022	*2021*
Income before tax	**20,198**	**20,744**
Statutory tax rate	15%	15%
Theoretical income tax expense at the statutory rate	**3,030**	**3,112**
Effect from change in tax legislation	655	–
Non-deductible expenses / (non-taxable income)	517	(1)
Income tax expense	**4,202**	**3,111**

In June 2016, amendments to the Georgian tax law in respect of corporate income tax became enacted. The amendments became effective from 1 January 2017 for all Georgian companies except the banks, insurance companies and microfinance organization, for which the effective date was initially set at 1 January 2019. On 5 May 2018, the effective date of the amendment for financial institutions was revised to 1 January 2023, which was further revised to 1 January 2024 in December 2022. Under the new regulation, corporate income tax will be levied on profit distributed as dividends, rather than on profit earned as under the current regulation. The amount of tax payable on a dividend distribution will be calculated as 15/85 of the amount of net distribution.

(Thousands of Georgian lari unless otherwise stated)

10. Taxation (continued)

The companies will be able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008-2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies will not be subject to corporate income tax.

Following the enactment of the latest amendment, the Group recalculated its deferred tax assets for insurance companies at 31 December 2022, derecognized its deferred tax assets and liabilities for the periods after 1 January 2024 and made the relevant recognition of deferred tax expense in the profit and loss for 2022. As IAS 12 *Income Taxes* requires, the Group used 0% tax rate applicable for undistributed profits in respect of assets and liabilities expected to be realized or settled in the periods when the new regulation becomes effective.

The amendments to the Georgian tax law described above also provide for charging corporate income tax on certain transactions that are considered deemed profit distributions, e.g. some transactions at non-market prices, non-business related expenses or supply of goods and services free of charge. Taxation of such transaction is outside scope of IAS 12 *Income Taxes* and will be accounted similar to operating taxes starting from 1 January 2017 or 1 January 2024, as applicable. Tax law amendments related to such deemed profit distribution did not have any effect on the Group's financial statements for the year ended 31 December 2022 and 2021.

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

	As at 31 December 2020	***In profit or loss***	***As at 31 December 2021***	***In profit or loss***	***As at 31 December 2022***
Tax effect of deductible temporary differences					
Insurance receivables	470	–	470	(253)	217
Other assets	554	–	554	(315)	239
Investments	87	–	87	(87)	–
Deferred tax assets	**1,111**	**–**	**1,111**	**(655)**	**456**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Georgia currently has a number of laws related to various taxes imposed by state governmental authorities. Applicable taxes include value added tax, corporate income tax (profits tax), together with others. Laws related to these taxes have not been in force for significant periods in contrast to more developed market economies. Therefore, regulations are often unclear or non-existent and few precedents have been established. This creates tax risks in Georgia substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues. The Group's operations and financial position will continue to be affected by Georgian political developments, including the application and interpretation of existing and future legislation and tax regulations. Such possible occurrences and their effect on the Group could have a material impact on the Group's operations or its financial position in Georgia.

11. Loans issued

Loans issued as at 31 December comprise:

	2022	***2021***
JSC Carfest	–	1,628
JSC A Group	186	445
JSC Greenway Georgia	840	424
LLC Amboli	3,508	149
Loan to individual	104	–
Total loans issued	**4,638**	**2,646**

In February 2021, the Group issued a loan in USD to JSC Carfest (currently an entity under common control) at the interest rate of 7%. The loan was repaid by December 2022 in full.

In April 2020, the Group issued a loan to JSC A Group (parent company) at the interest rate of 12% originally, which was increased to 15% from August 2022. Carrying amount of GEL 186 is to be repaid by the end of 2023.

(Thousands of Georgian lari unless otherwise stated)

11. Loans issued (continued)

In July 2018, the Group issued a loan to its former subsidiary – JSC Greenway Georgia (currently an entity under common control) at the interest rate of 11%. In 2019, repayment of principal amount of the loan was further extended with the respective increase of interest rate up to 12%. Significant portion of the loan outstanding as at 31 December 2020 was repaid in 2021. Carrying amount of GEL 424 was repaid by the end of December 2022. In December 2022, the Group issued another loan to JSC Greenway Georgia at the interest rate of 15%. Carrying amount of GEL 840 is to be repaid by the end of 2023.

In January 2020, the Group issued a loan in USD to LLC Amboli (a subsidiary of Georgia Capital JSC and an entity under common control) at the interest rate of 7%. In 2022, the loan's term was extended and additional loan was disbursed. Carrying amount of GEL 1,647 is to be repaid by the end of 2023. In January 2022, another loan in GEL was issued to LLC Amboli at the interest rate of 13%, its carrying amount of GEL 1,861 is to be repaid by the end of 2023.

No losses have been incurred on loans issued for the years ended 31 December 2022 and 2021, therefore there are no impairment provisions related to loans issued as at 31 December 2022 and 2021.

Interest income on the loans issued by the Group is disclosed in Note 29.

12. Deferred acquisition costs

Deferred acquisition costs ("DAC") on direct, assumed and ceded reinsurance are as follows:	***DAC***
As at 31 December 2020	**4,194**
Expenses deferred (Note 28)	1,908
Amortization (Note 28)	(1,382)
At 31 December 2021	**4,720**
Expenses deferred (Note 28)	2,264
Amortization (Note 28)	(2,114)
At 31 December 2022	**4,870**

(Thousands of Georgian lari unless otherwise stated)

13. Property and equipment

The movements in property and equipment were as follows:

	Land and buildings	*Furniture and fixtures*	*Computers and equipment*	*Motor vehicles*	*Leasehold improvements*	*Total*
Cost						
31 December 2021	**4,764**	**1,671**	**3,318**	**352**	**827**	**10,932**
Additions	481	139	279	44	182	**1,125**
Disposals	–	(3)	(27)	(27)	–	**(57)**
31 December 2022	**5,245**	**1,807**	**3,570**	**369**	**1,009**	**12,000**
Accumulated depreciation						
31 December 2021	**1,076**	**838**	**2,043**	**240**	**133**	**4,330**
Depreciation charge	124	120	426	40	136	**846**
Disposals	–	–	–	(7)	–	**(7)**
31 December 2022	**1,200**	**958**	**2,469**	**273**	**269**	**5,169**
Net book value						
31 December 2021	**3,688**	**833**	**1,275**	**112**	**694**	**6,602**
31 December 2022	**4,045**	**849**	**1,101**	**96**	**740**	**6,831**

	Land and buildings	*Furniture and fixtures*	*Computers and equipment*	*Motor vehicles*	*Leasehold improvements*	*Total*
Cost						
31 December 2020	**5,955**	**1,459**	**2,891**	**353**	**659**	**11,317**
Additions	12	217	429	68	334	**1,060**
Disposals	(1,203)	(5)	(2)	(69)	(166)	**(1,445)**
31 December 2021	**4,764**	**1,671**	**3,318**	**352**	**827**	**10,932**
Accumulated depreciation						
31 December 2020	**1,104**	**730**	**1,654**	**236**	**162**	**3,886**
Depreciation charge	135	110	390	52	121	**808**
Disposals	(163)	(2)	(1)	(48)	(150)	**(364)**
31 December 2021	**1,076**	**838**	**2,043**	**240**	**133**	**4,330**
Net book value						
31 December 2020	**4,851**	**729**	**1,237**	**117**	**497**	**7,431**
31 December 2021	**3,688**	**833**	**1,275**	**112**	**694**	**6,602**

No property and equipment is pledged as collateral as at 31 December 2022 and 2021.

In October 2021, Group disposed of its office building with the carrying amount of GEL 1,040 for cash consideration of USD 552 (GEL 1,713), which resulted in gain on disposal of GEL 691 (Note 33).

(Thousands of Georgian lari unless otherwise stated)

14. Goodwill and other intangible assets

The movements in goodwill and other intangible assets were as follows:

	Goodwill	*Licenses*	*Computer software*	*Total*
Cost				
31 December 2020	**13,063**	**2,808**	**4,827**	**20,698**
Additions	–	237	1,299	**1,536**
31 December 2021	**13,063**	**3,045**	**6,126**	**22,234**
Additions	–	364	1,346	**1,710**
31 December 2022	**13,063**	**3,409**	**7,472**	**23,944**
Accumulated amortization and impairment				
31 December 2020	**–**	**1,686**	**1,419**	**3,105**
Amortization charge	–	296	279	**575**
31 December 2021	**–**	**1,982**	**1,698**	**3,680**
Amortization charge	–	310	435	**745**
31 December 2022	**–**	**2,292**	**2,133**	**4,425**
Net book value				
31 December 2021	**13,063**	**1,063**	**4,428**	**18,554**
31 December 2022	**13,063**	**1,117**	**5,339**	**19,519**

The recoverable amount of the total cash-generating unit has been determined based on a value-in-use calculation. The Group used cash flow projections based on financial budget approved by senior management covering from a three-year period. The Group as a whole is considered a single cash-generating unit for goodwill impairment test purposes.

The recoverable amount of cash generating unit has been determined based on a value-in-use calculation through a cash flow projection based on the approved budget under the assumption that business will steadily grow and the cash flows will be stable. The discount rate applied to cash flow projections is the pre-tax weighted average cost of capital ("WACC") of the cash-generating unit. Discount rates were not adjusted for either a constant or a declining growth rate beyond the three-year period covered in financial budgets. Effective annual growth rate in three-year financial budgets is 11.8% (2021: 10.2%). For the purposes of the impairment test, a 0% permanent growth rate has been assumed when assessing the future operating cash flows of the cash-generating unit. Discount rate applied to the cash flow projections is 16.7% (2021: 14.2%).

Reasonably possible changes in key assumptions (-5 p.p. decrease in effective annual growth rate in the three-years budgets and +2 p.p. increase in discounting rate) would not have resulted in goodwill impairment as at 31 December 2022 and 2021.

15. Pension fund assets and liabilities

Effective 2 June 2005, the Group established a private pension scheme. Contributions made by the Group's employees and other individuals are recorded as an accumulated pension liability to be repaid to the pension plan clients after pension age. Also, any income earned on this accumulated pension liability on behalf of the insured individuals will be accumulated and added to the pension benefit obligation. When an employee reaches pension age, aggregated contributions, plus any earnings earned on the employee's behalf are returned to the employee according to the schedule agreed with the employee.

Having collected funds from individuals, the Group conducts investment activities on behalf of these individuals in order to receive additional profit on accumulated amounts. The total net accumulated amount of a single member of the pension plan equals the total net contributions made by him/her, plus any net investment income generated by the funds. Investment activities on behalf of pension plan members and the Group are managed by the Company. According to the current arrangement of the plan, the pension age for men and women is 65 and 60 years, respectively.

As at 31 December pension fund liabilities consisted of:

	2022	*2021*
Total net contributions to the pension fund	(4,836)	(4,626)
Total net income earned on net pension fund contributions	9,735	9,254
Pension fund liabilities	**4,899**	**4,628**

(Thousands of Georgian lari unless otherwise stated)

15. Pension fund assets and liabilities (continued)

The movement of pension fund liabilities during 2022 and 2021 was as follows:

	2022	*2021*
Pension fund liabilities as at 1 January	**4,628**	**4,906**
Total pension fund instalments during the year	448	481
Administration commission	(12)	(15)
Management commission	(269)	(573)
Investment income commission	(31)	(25)
Net income (net of physical persons income tax)	796	394
Funds withdrawn by Participants	(661)	(540)
Total accumulated pension fund during the year	**271**	**(278)**
Pension fund liabilities as at 31 December	**4,899**	**4,628**

Pension fund assets as at 31 December consist mainly of deposits with local commercial banks and available for sale financial assets.

	2022	*2021*
Bank deposits	3,357	3,141
Cash at bank	1,195	739
Available-for-sale financial assets	347	748
Pension fund assets	**4,899**	**4,628**

The Group has not contributed any amount for the year ended 31 December 2022 and 2021 to its employees' defined contribution pension plan due to enactment of the State Pension Plan of Georgia.

16. Allowances for impairment and provisions

The movements in the allowance for insurance and reinsurance receivables were as follows:

	Insurance and reinsurance receivables (Note 9)
31 December 2020	**6,231**
Charge	287
Write-off	(59)
Recoveries	511
Currency translation difference	(270)
31 December 2021	**6,700**
Charge	420
Write-off	(60)
Currency translation difference	(636)
31 December 2022	**6,424**

Allowances for impairment of assets are deducted from the carrying amounts of the related assets.

17. Other assets

Other assets as at 31 December comprise:

	2022	*2021*
Assets transferred through subrogation	1,220	1,186
Advances and prepayments	562	1,031
Trade receivables	288	658
Receivables from regression	656	528
Inventory	405	393
Prepaid operating taxes	128	94
Other	477	64
Total other assets	**3,736**	**3,954**

(Thousands of Georgian lari unless otherwise stated)

18. Equity

As at 31 December 2022, the number of authorized ordinary shares was 2,700,000 (2021: 2,700,000) with a nominal value per share of one Georgian lari.1,889,155 authorized shares have been issued and fully paid (2021: 1,889,155).

The share capital of the Group was contributed by the shareholders in Georgian lari and they are entitled to dividends and any capital distribution in Georgian lari.

In August 2021, the Company issued 6,000,000 preference shares with par value of USD 1 per share subscribed by its intermediate parent company Georgia Capital JSC for cash consideration of USD 6,000 (GEL 18,647). As at 31 December 2021, the number of authorized preference shares was 22,300,000, of which 6,000,000 was fully paid.

The preference shares are redeemable (all or a portion) at the Group's discretion with the decision to be made by its Supervisory Board. The proceeds from preference shares should be invested in fixed income securities or funds that invest in fixed income securities with investment decision to be agreed with preference shareholders. Preference shares redemption price is determined with reference to the sale/redemption amount of financial securities purchased using the proceeds from preference shares. In case of redemption, at Group's discretion, of financial securities purchased using the proceeds from preference shares, redeemable shares are subject to mandatorily redemption in amount equal to redemption proceeds from the underlying financial investments subject to certain adjustments. Dividends are payable on preference shares at Group's discretion.

The Group invested proceeds from the issuance of preference shares in redeemable shares (Note 8).

No dividends were paid to preference shareholders in 2022 and 2021.

On 28 June 2022, ordinary shareholder of JSC Aldagi made a decision to distribute dividends of GEL 7,500, comprising Georgian lari 3.95 per share, paid in cash. On 26 December 2022, ordinary shareholder of JSC Aldagi made a decision to distribute dividends of GEL 228, comprising Georgian lari 0.12 per share, which fully represent non-cash dividend, setting off the loan issued to JSC Carfest (entity under common control) and part of lease receivables. On 27 December 2022, ordinary shareholder of JSC Aldagi made a decision to distribute dividends of GEL 7,500, comprising Georgian lari 3.95 per share, paid in cash.

On 17 June 2021, the Company distributed dividends to its ordinary shareholder, amounting to GEL 5,000, comprising Georgian lari 2.64 per share. On 21 October 2021, ordinary shareholder of JSC Aldagi made a decision to distribute dividends of GEL 1,896, comprising Georgian lari 1.00 per share, of which GEL 1,883 represent non-cash dividends, setting off part of the loan issued to JSC Carfest (entity under common control). On 14 December 2021, JSC Insurance Company Aldagi distributed dividends to its ordinary shareholder in the amount of GEL 10,000, comprising Georgian lari 5.28 per share.

19. Gross technical provisions and ceded share of technical provisions

Gross technical provisions and ceded share of technical provisions as at 31 December comprise:

	2022	***2021***
Gross technical provisions		
- Unearned premiums provision	49,774	48,189
- Provisions for claims outstanding	21,084	11,143
Total gross technical provisions	**70,858**	**59,332**
Ceded share of technical provisions		
- Reinsurers' share in unearned premiums provision	(14,725)	(15,616)
- Reinsurers' share in provisions for claims outstanding	(9,658)	(3,583)
Total ceded share of technical provisions	**(24,383)**	**(19,199)**
Technical provisions net of reinsurance		
- Unearned premiums provision	35,049	32,573
- Provisions for claims outstanding	11,426	7,560
Total technical provisions net of reinsurance	**46,475**	**40,133**

(Thousands of Georgian lari unless otherwise stated)

19. Gross technical provisions and ceded share of technical provisions (continued)

Technical provisions as at 31 December comprise:

		2022			2021		
	Notes	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*
Life insurance contracts	(a)	5,735	(603)	**5,132**	3,154	(273)	**2,881**
General insurance contracts	(b)	65,123	(23,780)	**41,343**	56,178	(18,926)	**37,252**
Total gross technical provisions		**70,858**	**(24,383)**	**46,475**	**59,332**	**(19,199)**	**40,133**

(a) The movement during the year in life technical provisions is as follows.

		2022			2021		
	Notes	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*
At 1 January		**3,154**	**(273)**	**2,881**	**4,271**	**(367)**	**3,904**
Premiums written during the year	26	26,065	(1,557)	**24,508**	18,556	(496)	**18,060**
Premiums earned during the year		(25,998)	1,529	**(24,469)**	(18,800)	457	**(18,343)**
Claims incurred during the current accident year		14,982	(633)	**14,349**	13,439	(100)	**13,339**
Claims paid during the year	27	(12,468)	331	**(12,137)**	(14,312)	233	**(14,079)**
At 31 December		**5,735**	**(603)**	**5,132**	**3,154**	**(273)**	**2,881**

(b) General technical provisions may be analysed as follows. Provision for claims settlement expenses is included in the gross technical provisions.

		2022			2021		
	Notes	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*
Provisions for claims outstanding	(1)	16,026	(9,236)	**6,790**	8,600	(3,465)	**5,135**
Provision for unearned premiums	(2)	49,097	(14,544)	**34,553**	47,578	(15,461)	**32,117**
Total general technical provisions		**65,123**	**(23,780)**	**41,343**	**56,178**	**(18,926)**	**37,252**

(1) The provision for claims outstanding for general insurance contracts may be analyzed as follows:

		2022			2021		
	Notes	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*
At 1 January		**8,600**	**(3,465)**	**5,135**	**13,653**	**(7,879)**	**5,774**
Claims incurred during the current accident year		43,162	(8,657)	**34,505**	37,148	(4,851)	**32,297**
Claims paid during the year	27	(34,813)	2,349	**(32,464)**	(42,010)	9,295	**(32,715)**
Effect of movements in exchange rates		(923)	537	**(386)**	(191)	(30)	**(221)**
At 31 December		**16,026**	**(9,236)**	**6,790**	**8,600**	**(3,465)**	**5,135**

(2) The provision for unearned premiums for general insurance contracts may be analyzed as follows.

		2022			2021		
	Notes	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*	*Gross technical provisions*	*Ceded share of technical provisions*	*Net*
At 1 January		**47,578**	**(15,461)**	**32,117**	**40,210**	**(11,161)**	**29,049**
Premiums written during the year	26	112,999	(36,518)	**76,481**	111,362	(40,147)	**71,215**
Premiums earned during the year		(111,480)	37,435	**(74,045)**	(103,994)	35,847	**(68,147)**
At 31 December		**49,097**	**(14,544)**	**34,553**	**47,578**	**(15,461)**	**32,117**

(Thousands of Georgian lari unless otherwise stated)

19. Gross technical provisions and ceded share of technical provisions (continued)

Gross technical provisions and ceded share of technical provisions − terms, assumptions and sensitivities

(a) Life insurance contracts

(1) Terms and conditions

Life insurance contracts offered by the Group only consist of annually or monthly renewable term conventional insurance contracts where lump sum benefits are payable on death.

(2) Key assumptions

Premiums for life insurance contracts are based on rates derived from mortality tables that are developed through actuarial research. These annually renewed insurance contracts only pay a lump sum benefit when the insured person dies within that year. At the reporting date, the pro rata premium for the policy year that is not yet earned, is deferred in the caption gross technical provisions.

(b) General insurance contracts

(1) Terms and conditions

The major classes of general insurance written by the Group include cargo, motor, compulsory third party liability for foreign-registered vehicles, household, property, freight forwarding liability, professional indemnity, financial risk and aviation. Risks under these policies usually cover twelve months duration.

For general insurance contracts, claims provisions are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are refined monthly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

(2) Assumptions

For the calculation of the claims reserves including the liability adequacy test refer to Note 3 − Summary of significant accounting policies, technical provisions and Note 4 − Significant accounting judgements, estimates and assumptions.

Gross technical provisions on insurance business written in Georgia significantly depend on fluctuations in currency exchange rates as the insured values on these contracts are denominated in US dollars (see analysis of currency risk in the Note 34).

(3) Loss development triangle

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net reinsurance basis.

The tables show the reserves for both claims reported and claims incurred but not yet reported and cumulative payments.

In the tables below, the claims estimates are translated into lari at the rate of exchange that applied at the end of the accident year.

(Thousands of Georgian lari unless otherwise stated)

19. Gross technical provisions and ceded share of technical provisions (continued)

Gross technical provisions and ceded share of technical provisions − terms, assumptions and sensitivities (continued)

Before the effect of reinsurance, the loss development table is:

	2010	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*Total*
Accident year	8,771	7,428	16,301	13,058	16,406	31,128	27,926	43,667	29,018	89,080	38,836	52,255	56,618	–
One year later	8,702	7,653	14,048	12,570	15,817	30,186	27,077	44,481	29,331	95,694	38,858	51,861	–	–
Two years later	9,421	7,593	14,021	12,011	15,352	29,889	27,222	44,341	29,048	93,564	39,798	–	–	–
Three years later	9,399	7,556	14,019	12,161	14,986	29,843	27,869	44,101	29,077	93,375	–	–	–	–
Four years later	9,367	7,476	14,012	11,566	14,937	29,766	27,927	44,035	29,620	–	–	–	–	–
Five years later	9,544	7,476	14,012	11,567	14,941	29,766	27,918	44,034	–	–	–	–	–	–
Six years later	9,683	7,482	14,012	11,537	14,999	30,184	27,898	–	–	–	–	–	–	–
Seven years later	9,653	7,482	14,012	11,537	14,973	30,184	–	–	–	–	–	–	–	–
Eight years later	9,699	7,482	14,012	11,537	14,918	–	–	–	–	–	–	–	–	–
Nine years later	9,805	7,517	14,012	11,537	–	–	–	–	–	–	–	–	–	–
Ten years later	10,031	7,518	14,012	–	–	–	–	–	–	–	–	–	–	–
Eleven years later	9,932	7,518	–	–	–	–	–	–	–	–	–	–	–	–
Twelve years later	9,713	–	–	–	–	–	–	–	–	–	–	–	–	–
Current estimate of cumulative claims incurred	**9,713**	**7,518**	**14,012**	**11,537**	**14,918**	**30,184**	**27,898**	**44,034**	**29,620**	**93,375**	**39,798**	**51,861**	**56,618**	**431,086**
Accident year	(6,665)	(5,700)	(10,733)	(8,867)	(12,268)	(21,926)	(19,254)	(27,753)	(24,023)	(27,392)	(31,950)	(43,340)	(39,328)	–
One year later	(7,559)	(6,904)	(13,013)	(10,520)	(14,185)	(29,662)	(26,674)	(38,084)	(28,597)	(88,391)	(39,184)	(50,814)	–	–
Two years later	(7,887)	(7,441)	(13,937)	(11,463)	(14,467)	(29,766)	(26,996)	(43,807)	(28,769)	(93,387)	(39,289)	–	–	–
Three years later	(7,887)	(7,441)	(14,012)	(11,566)	(14,547)	(29,778)	(27,695)	(43,967)	(29,061)	(93,207)	–	–	–	–
Four years later	(8,220)	(7,441)	(14,012)	(11,566)	(14,546)	(29,766)	(27,763)	(43,973)	(29,608)	–	–	–	–	–
Five years later	(8,222)	(7,441)	(14,012)	(11,567)	(14,540)	(29,766)	(27,763)	(43,980)	–	–	–	–	–	–
Six years later	(8,222)	(7,441)	(14,012)	(11,537)	(14,540)	(30,184)	(27,763)	–	–	–	–	–	–	–
Seven years later	(8,222)	(7,482)	(14,012)	(11,537)	(14,540)	(30,184)	–	–	–	–	–	–	–	–
Eight years later	(8,222)	(7,482)	(14,012)	(11,537)	(14,540)	–	–	–	–	–	–	–	–	–
Nine years later	(8,222)	(7,482)	(14,012)	(11,537)	–	–	–	–	–	–	–	–	–	–
Ten years later	(8,222)	(7,518)	(14,012)	–	–	–	–	–	–	–	–	–	–	–
Eleven years later	(8,222)	(7,518)	–	–	–	–	–	–	–	–	–	–	–	–
Twelve years later	(8,222)	–	–	–	–	–	–	–	–	–	–	–	–	–
Cumulative payments to date	**(8,222)**	**(7,518)**	**(14,012)**	**(11,537)**	**(14,540)**	**(30,184)**	**(27,763)**	**(43,980)**	**(29,608)**	**(93,207)**	**(39,289)**	**(50,814)**	**(39,328)**	**(410,002)**
Gross Outstanding Claims provision per the statement of financial position	**1,491**	**–**	**–**	**–**	**378**	**–**	**135**	**54**	**12**	**168**	**509**	**1,047**	**17,290**	**21,084**
Current estimation of surplus/ (deficiency)	(942)	(90)	2,289	1,521	1,488	944	28	(367)	(602)	(4,295)	(962)	394		
% of surplus/(deficiency) of initial gross reserve	-10.74%	-1.21%	14.04%	11.65%	9.07%	3.03%	0.10%	-0.84%	-2.07%	-4.82%	-2.48%	0.75%		

(Thousands of Georgian lari unless otherwise stated)

19. Gross technical provisions and ceded share of technical provisions (continued)

Gross technical provisions and ceded share of technical provisions − terms, assumptions and sensitivities (continued)

After the effect of reinsurance, the loss development table is:

	2010	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*Total*
Accident year	3,937	5,788	12,355	10,337	12,855	21,815	19,601	26,425	26,806	32,194	35,287	46,911	47,564	−
One year later	3,934	6,088	12,260	10,086	13,274	21,721	19,347	26,776	27,226	32,563	35,457	46,599	−	−
Two years later	4,506	6,132	12,253	10,190	13,103	21,479	19,452	26,857	26,943	30,932	36,401	−	−	−
Three years later	4,398	6,090	12,249	10,284	13,148	21,438	19,391	26,758	26,963	30,743	−	−	−	−
Four years later	4,346	6,090	12,242	10,285	13,088	21,423	19,430	26,697	27,418	−	−	−	−	−
Five years later	4,346	6,090	12,242	10,285	13,081	21,423	19,430	26,703	−	−	−	−	−	−
Six years later	4,346	6,096	12,242	10,255	13,081	21,428	19,430	−	−	−	−	−	−	−
Seven years later	4,346	6,096	12,242	10,255	13,081	21,428	−	−	−	−	−	−	−	−
Eight years later	4,346	6,096	12,242	10,255	13,081	−	−	−	−	−	−	−	−	−
Nine years later	4,346	6,132	12,242	10,255	−	−	−	−	−	−	−	−	−	−
Ten years later	4,346	6,132	12,242	−	−	−	−	−	−	−	−	−	−	−
Eleven years later	4,346	6,132	−	−	−	−	−	−	−	−	−	−	−	−
Twelve years later	4,346	−	−	−	−	−	−	−	−	−	−	−	−	−
Current estimate of cumulative claims incurred	**4,346**	**6,132**	**12,242**	**10,255**	**13,081**	**21,428**	**19,430**	**26,703**	**27,418**	**30,743**	**36,401**	**46,599**	**47,564**	**302,342**
Accident year	(3,037)	(5,055)	(9,865)	(8,172)	(10,963)	(17,669)	(15,439)	(22,347)	(22,174)	(24,855)	(29,094)	(39,054)	(36,936)	−
One year later	(3,869)	(5,979)	(11,896)	(9,806)	(12,745)	(21,327)	(19,172)	(26,425)	(26,497)	(30,194)	(35,949)	(46,331)	−	−
Two years later	(4,074)	(6,055)	(12,175)	(10,181)	(13,009)	(21,423)	(19,361)	(26,626)	(26,668)	(30,755)	(36,051)	−	−	−
Three years later	(4,013)	(6,055)	(12,242)	(10,284)	(13,088)	(21,435)	(19,362)	(26,692)	(26,946)	(30,575)	−	−	−	−
Four years later	(4,346)	(6,055)	(12,242)	(10,285)	(13,088)	(21,423)	(19,430)	(26,697)	(27,406)	−	−	−	−	−
Five years later	(4,346)	(6,055)	(12,242)	(10,285)	(13,081)	(21,423)	(19,430)	(26,703)	−	−	−	−	−	−
Six years later	(4,346)	(6,055)	(12,242)	(10,255)	(13,081)	(21,428)	(19,430)	−	−	−	−	−	−	−
Seven years later	(4,346)	(6,096)	(12,242)	(10,255)	(13,081)	(21,428)	−	−	−	−	−	−	−	−
Eight years later	(4,346)	(6,096)	(12,242)	(10,255)	(13,081)	−	−	−	−	−	−	−	−	−
Nine years later	(4,346)	(6,096)	(12,242)	(10,255)	−	−	−	−	−	−	−	−	−	−
Ten years later	(4,346)	(6,132)	(12,242)	−	−	−	−	−	−	−	−	−	−	−
Eleven years later	(4,346)	(6,132)	−	−	−	−	−	−	−	−	−	−	−	−
Twelve years later	(4,346)	−	−	−	−	−	−	−	−	−	−	−	−	−
Cumulative payments to date	**(4,346)**	**(6,132)**	**(12,242)**	**(10,255)**	**(13,081)**	**(21,428)**	**(19,430)**	**(26,703)**	**(27,406)**	**(30,575)**	**(36,051)**	**(46,331)**	**(36,936)**	**(290,916)**
Net Outstanding Claims provision per the statement of financial position	**−**	**−**	**−**	**−**	**−**	**−**	**−**	**−**	**12**	**168**	**350**	**268**	**10,628**	**11,426**
Current estimation of surplus/ (deficiency)	(409)	(344)	113	82	(226)	387	171	(278)	(612)	1,451	(1,114)	312		
% of surplus/(deficiency) of initial gross reserve	-10.39%	-5.94%	0.91%	0.79%	-1.76%	1.77%	0.87%	-1.05%	-2.28%	4.51%	-3.16%	0.67%		

(Thousands of Georgian lari unless otherwise stated)

20. Right-of-use assets

The movements in right-of-use assets were as follows:

	Land	*Buildings*	*Total*
Cost			
31 December 2020	**765**	**2,087**	**2,852**
Addition	–	3,472	**3,472**
Termination	–	(24)	**(24)**
31 December 2021	**765**	**5,535**	**6,300**
Addition	384	214	**598**
Termination	(553)	(12)	**(565)**
31 December 2022	**596**	**5,737**	**6,333**
Accumulated depreciation			
31 December 2020	**142**	**1,874**	**2,016**
Depreciation charge	74	778	**852**
31 December 2021	**216**	**2,652**	**2,868**
Depreciation charge	77	848	**925**
31 December 2022	**293**	**3,500**	**3,793**
Net book value			
31 December 2021	**549**	**2,883**	**3,432**
31 December 2022	**303**	**2,237**	**2,540**

In 2021 the Group entered in the new head office lease contract (Note 23).

21. Derivative financial liabilities

On 1 April 2022, Group entered into foreign exchange contract with JSC Greenway Georgia (entity under common control). Notional amount for the contract was EUR 2.5 million. Foreign exchange loss on the contract comprise GEL 1,873 for 2022. Contract matured on 31 December 2022 and the full amount was received in cash.

22. Other insurance liabilities

Other insurance liabilities as at 31 December include:

	2022	*2021*
Reinsurance payable	33,861	21,811
Advances received	1,939	2,091
Claims payable	274	885
Other insurance liabilities	**36,074**	**24,787**

(Thousands of Georgian lari unless otherwise stated)

23. Lease liabilities

The movements in lease liabilities were as follows:

	Land	*Buildings*	*Total*
31 December 2020	**758**	**861**	**1,619**
Addition	–	3,351	**3,351**
Termination	–	(24)	**(24)**
Interest expense on lease liabilities	50	208	**258**
Repayment of lease liabilities	(105)	(1,128)	**(1,233)**
Remeasurement of lease liabilities	–	(384)	**(384)**
Foreign exchange rate movements	(40)	(192)	**(232)**
31 December 2021	**663**	**2,692**	**3,355**
Addition	280	214	**494**
Termination	(654)	(23)	**(677)**
Interest expense on lease liabilities	22	169	**191**
Repayment of lease liabilities	(18)	(860)	**(878)**
Foreign exchange rate movements	(45)	(282)	**(327)**
31 December 2022	**248**	**1,910**	**2,158**

In February 2021, the Company entered into new lease agreement with the third party for its head office building, which explains the increase in lease liabilities and right of use assets of buildings at 31 December 2021. The lease term is 5 years and the lease payments are denominated in USD.

24. Other liabilities

Other liabilities as at 31 December comprise:

	2022	*2021*
Commission payable	4,437	4,596
Accruals for employee compensation	3,994	3,841
Deposits received	3,856	1,961
Operating taxes payable	578	491
Trade payables	95	77
Other	937	804
Other liabilities	**13,897**	**11,770**

25. Commitments and contingencies

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints.

The Group acts as a defendant in a legal dispute with the disputable amount of GEL 932 as at 31 December 2022. The claimant demands from Group the compensation of costs related to the termination of a service contract. As at 31 December 2022, the Group has initiated a counter-claim in active legal proceedings against this party in connection to the service contract with aggregate disputable amount of GEL 846. The Group believes that the claimant's demand is without merit and it does not consider probable any outflow of economic benefits as the result of this claim. Accordingly, the Group did not recognize any provision for this litigation as at 31 December 2022.

On 16 April 2015, some of the former shareholders of Insurance Company Imedi L International filed a claim in the Tbilisi City Court against Insurance Company Aldagi, Insurance Company Imedi L and Medical Corporation Evex, all of which are legal successors of Insurance Company Aldagi. Pursuant to a demerger agreement entered into in 2014, the business and assets and liabilities of Insurance Company Aldagi (former Aldagi BCI) were spun off into three entities: Insurance Company Imedi L acquired the medical and travel insurance business, Medical Corporation Evex acquired the healthcare services business and Insurance Company Aldagi continues to operate the property and casualty and pension business. The claim alleges that 66.0% of shares owned by the claimants in the share capital of the Company were sold to Insurance Company Aldagi BCI in 2012 under duress at a price below market value, and the claim seeks damages in the amount of USD 17 million + annual 10% of the claimed amount as a lost income. The Management of the Group believes that the facts described in lawsuit are not supported by relevant evidence. Neither violence nor commitment of any illicit action is substantiated. The claims are given only as statements and there can be no proof of such actions since such actions were not conducted. Thus, the Group did not recognize any provision for this litigation as at 31 December 2022.

(Thousands of Georgian lari unless otherwise stated)

25. Commitments and contingencies (continued)

Legal (continued)

Management reasonably believes that the ultimate liability, if any, arising from these complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Any legal actions or complaints related to insurance policies are taken into account when making assessment of respective technical provisions.

Taxation

Georgian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within Georgia suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

26. Net insurance revenue

Net insurance revenue comprises:

	Notes	*2022*	*2021*
Premiums written on general insurance contracts	19	112,999	111,362
Premiums written on life insurance contracts	19	26,065	18,556
Total written premiums		**139,064**	**129,918**
Gross change in life provision		(67)	244
Gross change in general insurance contracts unearned premium provision		(1,518)	(7,368)
Total gross earned premiums on insurance contracts		**137,479**	**122,794**
Reinsurers' share of life insurance contracts premiums	19	(1,557)	(496)
Reinsurers' share of general insurance contracts premiums, direct	19	(36,518)	(40,147)
Reinsurers' share of change in life provision		28	39
Reinsurers' share of change in general insurance contracts unearned premium provision		(921)	4,300
Total reinsurers' share of gross earned premiums on insurance contracts		**(38,968)**	**(36,304)**
Net insurance revenue		**98,511**	**86,490**

27. Net insurance claims incurred

Net insurance claims incurred comprise:

	Notes	*2022*	*2021*
General insurance claims paid, direct	19	(34,813)	(42,010)
Life insurance claims paid	19	(12,468)	(14,312)
Gross change in total insurance contract liabilities		(10,864)	5,734
Gross insurance claims expenses		**(58,145)**	**(50,588)**
Reinsurers' share of life claims paid	19	331	233
Reinsurers' share of general claims paid	19	2,349	9,295
Reinsurers' share of change in total insurance contract liabilities		6,610	(4,578)
Reins insurance claims expenses		**9,290**	**4,950**
Claim settlement expenses		(2,318)	(1,911)
Income from regress		5,647	5,653
Net insurance claims incurred		**(45,526)**	**(41,896)**

(Thousands of Georgian lari unless otherwise stated)

28. Acquisition costs, net of reinsurance

Acquisition costs, net of reinsurance comprise:

	2022	*2021*
Acquisition costs	(13,230)	(10,911)
Acquisition costs deferred (Note 12)	2,264	1,908
Amortization of deferred acquisition costs (Note 12)	(2,114)	(1,382)
Reinsurance commissions	1,026	8
Total acquisition costs	**(12,054)**	**(10,377)**

29. Investment income

Investment income from financial instruments comprises interest income on:

	2022	*2021*
Bank deposits	5,241	4,030
Loans issued	437	1,027
Available-for-sale financial assets	620	626
Interest income calculated using effective interest rate	**6,298**	**5,683**
Revaluation loss on equity investments at FVTPL (for own use) (Note 8)	(878)	(187)
Investment Income	**5,420**	**5,496**

30. Salaries and other employee benefits

Salaries and employee benefits comprise:

	2022	*2021*
Salaries	(8,084)	(7,495)
Bonuses	(3,129)	(2,739)
Share-based compensation	(2,500)	(1,770)
Insurance and other benefits	(416)	(363)
Salaries and other employee benefits	**(14,129)**	**(12,367)**

31. General and administrative expenses

General and administrative expenses comprise:

	2022	*2021*
Marketing and advertising	(874)	(596)
Utilities	(540)	(573)
Membership fees	(516)	(500)
Legal and other professional services	(511)	(343)
Personnel training	(266)	(49)
Bank fees and commissions	(245)	(219)
Operating taxes	(217)	(239)
Repair and maintenance of property and equipment	(193)	(191)
Office supplies	(175)	(232)
Fuel	(140)	(94)
Representative	(121)	(81)
Communications	(108)	(102)
Business travel and related	(81)	(26)
Security	(40)	(32)
Charity	(24)	(27)
Other	(431)	(326)
Total general and administrative expenses	**(4,482)**	**(3,630)**

(Thousands of Georgian lari unless otherwise stated)

31. General and administrative expenses (continued)

Remuneration of the Group's auditor for the year ended 31 December 2022 comprises fee for the audit of Group's annual financial statements amounting to GEL 152 and fee for other services: GEL 15 (2021: fee for the audit of Group's annual financial statements amounting to GEL 130 and fee for other services: GEL 37) net of VAT.

32. Net other operating income

Net other operating income comprises:

	2022	*2021*
Other operating income		
Gain on remeasurement of lease liabilities	110	384
Penalty for breach of contract	349	305
Income from sale of greencards	212	192
Income from rent of office space	2	167
Income from sale of other fixed assets	13	10
Other	67	115
Total other operating income	**753**	**1,173**
Other operating expenses		
Total other operating expenses	(3)	(55)
Net other operating income	**750**	**1,118**

33. Net non-recurring items

Gain on disposal of office building and related real estate broker fee incurred by the Group for the ended 31 December 2021 amounts to GEL 691 (Note 13) and GEL 51, respectively. Net amount of GEL 640 is recognised as non-recurring item.

34. Risk management

The activities of the Group are exposed to various risks. Risk management therefore is a critical component of its insurance activities. Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls. Each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The main financial risks inherent to the Group'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 Group's risk management policies in relation to those risks follows.

Governance framework

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

The Group has established a risk management function with clear terms of reference for the Board of management, its committees and the associated executive management committees. Further a clear organization structure with documented delegated authorities and responsibilities from the Board to executive management committees and senior managers has been developed. Lastly, a Group policy framework which sets out the risk appetite of the Group, risk management, control and business conduct standards for the Group's worldwide operations has been put in place. Each policy has a member of senior management who is charged with overseeing compliance with the policy throughout the Group.

The Board has approved the Group risk management policies and meets regularly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Group'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.

(Thousands of Georgian lari unless otherwise stated)

34. Risk management (continued)

Capital management objectives

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

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

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

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

Approach to capital management

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

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

Regulatory requirements

Regulatory capital requirements for the insurance companies operating in Georgia are set by the ISSSG and are applied to the insurance companies within the Group solely on a stand-alone basis. Starting from 31 December 2021, the ISSSG requirement is to maintain a minimum share capital of GEL 7,200 for life insurance, GEL 7,200 for mandatory third party liability insurance, surety bonds and credit liability insurance, GEL 4,800 for other non-life insurance, and GEL 7,200 for reinsurance, of which 100% should be kept as cash at bank or bank deposits. Bank confirmation letters are submitted to ISSSG on a monthly basis in order to prove compliance with the above-mentioned regulatory requirement.

In addition to the minimum share capital requirement, starting from 1 January 2018 insurance companies are also required to maintain a solvency ratio, calculated as regulatory capital divided by the required solvency capital, in excess of 100%. The ISSSG defines the types of assets that can be used by an insurer to meet its regulatory capital requirements. Regulatory capital includes total equity less intangible assets and goodwill, deferred acquisition costs, deferred tax assets, unsecured loans issued, assets pledged as collateral on behalf of other parties, cash on hand above GEL 100, other assets, 100% of investments in subsidiaries and associates, 30% of investment property and 10% of available-for-sale financial assets and assets held-to-maturity. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the ISSSG directives.

The required solvency capital is the greater of 18% of premium written up to GEL 100 million plus 16% of premiums above GEL 100 million; and 26% of claims up to GEL 70 million plus 23% of claims above GEL 70 million. Premiums for high risk classes of business are increased for the purpose of this calculation and an adjustment is made for reinsurance.

The Group complied with ISSSG requirements as at 31 December 2022 and 2021.

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 Group 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.

(Thousands of Georgian lari unless otherwise stated)

34. Risk management (continued)

Insurance risk (continued)

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

The Group primarily uses loss ratio and combined ratio to monitor its insurance risk. Loss ratio is defined as net insurance claims divided by net insurance revenue. Combined ratio is sum of loss ratio and expense ratio. Expense ratio is defined as operating expenses excluding net interest income and foreign exchange and translation losses divided by net insurance revenue. The Group's loss ratios and combined ratios calculated on a net basis were as follows:

	2022	***2021***
Loss ratio	46%	48%
Combined ratio	80%	81%

Key assumptions

Claims provisions are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts, including potential outstanding loss notifications, experience with similar claims and case law, at and after the reporting date.

The Group has used all possible and currently available information to estimate provision for claims reported by policyholders including claims' adjustment expenses according to every class of insurance contract. In addition, larger reported claims are usually separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

The principal assumption underlying the estimates is the Group's past and future claims development experience which can be used to project future claims development and hence ultimate claims costs. As such, this method extrapolates the development of paid and incurred losses based on the observed development of earlier years. Historical claims development is mainly analysed by accident years as well as by significant business lines. Technical provisions on insurance business written significantly depends on fluctuations in currency exchange rates as the insurance values on these contracts are denominated in US dollars.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. The most significant risks arise from changes in loss frequency and loss severity − quantity of claims and average claim amount are key inputs for Motor Insurance reserve estimation. Motor insurance reserves are rather sensitive to lari devaluation and forex risk as significant portion of car repair cost is linked to foreign currencies.

The business of the Group comprises both life and general insurance contracts.

(1) Life insurance contracts

The Group writes life insurance contracts, where the life of the policyholder is insured against death or permanent disability, usually for a pre-determined amount.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all cost. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

(Thousands of Georgian lari unless otherwise stated)

34. Risk management (continued)

Insurance risk (continued)

Currently, insured risks do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis. For contracts where death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

Direct insurance business written is taken in Georgia only and the reinsurance companies are mostly based outside Georgia. Gross and net technical provisions as at 31 December 2022 on life insurance contracts is GEL 5,735 and GEL 5,132 respectively (2021: GEL 3,154 and GEL 2,881).

(2) General insurance contracts

The Group principally issues the following types of general insurance contracts: motor own damage, property, financial risks, guarantees, cargo, freight forwarding liability, general third party liability, motor third party liability, professional indemnity, marine hull, aviation hull, performance bond, compulsory third party liability for foreign-registered vehicles. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes and natural disasters.

These risks vary significantly in relation to the location of the risk insured by the Group, 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.

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 Group. The Group 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 Group.

The Group 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.

The table below sets out the concentration of general technical provisions by type of contract.

	2022			***2021***		
	Gross claims liabilities	***Reinsurers share of claims liabilities***	***Net claims liabilities***	***Gross claims liabilities***	***Reinsurers share of claims liabilities***	***Net claims liabilities***
Motor	25,141	(195)	24,946	23,464	(66)	23,398
Property	25,342	(15,729)	9,613	22,386	(13,919)	8,467
Liability	11,439	(7,188)	4,251	7,659	(4,440)	3,219
Guarantees	1,655	(545)	1,110	1,251	(408)	843
Cargo	1,276	(70)	1,206	1,158	(40)	1,118
Other	270	(53)	217	260	(53)	207
	65,123	**(23,780)**	**41,343**	**56,178**	**(18,926)**	**37,252**

For general insurance contracts, the most significant risks arise from changes in loss frequency and loss severity in motor insurance. These risks vary significantly in relation to the location of the risk insured by the Group, and the type of risks insured.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts and geographical areas, as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio.

The variability of risks is also improved by careful selection and implementation of underwriting strategies. The Group establishes underwriting guidelines and limits that stipulate who may accept risks, their nature and applicable limits. These limits are continuously monitored. Strict claim review policies to assess all new and ongoing claims, as well as the investigation of possible fraudulent claims are in place. The Group also enforces a policy of actively managing and promptly processing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

(Thousands of Georgian lari unless otherwise stated)

34. Risk management (continued)

Insurance risk (continued)

Business ceded is placed on different terms (quota share, excess of loss) with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as ceded share of technical provisions. Direct insurance business written and assumed reinsurance is taken in Georgia only and the reinsurance companies are all based outside Georgia.

Financial risk

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages the level of credit risk it accepts through a comprehensive group credit risk process setting out the assessment and determination of what constitutes credit risk for the Group; setting up of exposure limits by each counterparty or group of counterparties, geographical and industry segments; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment. The following is a brief description of how the Group manages its credit risk exposure.

Reinsurance

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any reinsurance contract. The highest single counterparty exposure is 14% of total ceded share of technical provisions at the reporting date (2021: 9%). The Group evaluates the financial condition of its reinsurers and monitors concentration of credit risks arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurers' insolvencies.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group through internal credit ratings. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position.

	Notes	***Neither past due nor impaired as at 31 December 2022***	***Past-due but not individually impaired as at 31 December 2022***	***Total 2022***
Bank deposits	6	45,584	–	**45,584**
Loan issued	11	4,638	–	**4,638**
Available-for-sale financial assets	7	9,447	–	**9,447**
Insurance and reinsurance receivables	9	52,362	5,400	**57,762**
Ceded share of technical provisions	19	24,383	–	**24,383**
Pension fund assets	15	4,899	–	**4,899**
Total		**141,313**	**5,400**	**146,713**

	Notes	***Neither past due nor impaired as at 31 December 2021***	***Past-due but not individually impaired as at 31 December 2021***	***Total 2021***
Bank deposits	6	28,273	–	**28,273**
Loan issued	11	2,646	–	**2,646**
Available-for-sale financial assets	7	7,710	–	**7,710**
Insurance and reinsurance receivables	9	48,300	2,623	**50,923**
Ceded share of technical provisions	19	19,199	–	**19,199**
Pension fund assets	15	4,628	–	**4,628**
Total		**110,756**	**2,623**	**113,379**

(Thousands of Georgian lari unless otherwise stated)

34. Risk management (continued)

Financial risk (continued)

The Group has internal credit rating system to evaluate credit quality of insurance receivables based on days overdue from the scheduled.

Age analysis of Insurance and reinsurance receivables past not but not individually impaired is following:

31 December 2022	*< 30 days*	*31-60 days*	*61-90 days*	*91-150 days*	*151-180 days*	*181-270 days*	*Total past-due but not individually impaired*
Insurance and reinsurance receivables	3,440	1,612	191	63	27	67	**5,400**

31 December 2021	*< 30 days*	*31-60 days*	*61-90 days*	*91-150 days*	*151-180 days*	*181-270 days*	*Total past-due but not individually impaired*
Insurance and reinsurance receivables	1,696	534	216	129	44	4	**2,623**

The credit quality of financial assets that are neither past due nor impaired is appropriate and is constantly monitored in order to identify any potential adverse changes in the credit quality. The table below provides information regarding the credit risk exposure of the Group by classifying neither past due not impaired financial assets according to external ratings.

31 December 2022	*Notes*	*BB+*	*BB*	*BB-*	*B+*	*B*	*B-*	*Not rated*	*Total neither past due nor impaired*
Bank deposits	6	617	–	31,003	–	–	–	13,964	**45,584**
Loan issued	11	–	–	–	–	–	–	4,638	**4,638**
Available-for-sale financial assets	7	–	–	2,461	2,192	–	1,494	3,300	**9,447**
Pension fund assets	15	–	–	3,799	14	–	–	1,086	**4,899**
Total		**617**	**–**	**37,263**	**2,206**	**–**	**1,494**	**22,988**	**64,568**

31 December 2021	*Notes*	*BB+*	*BB*	*BB-*	*B+*	*B*	*B-*	*Not rated*	*Total neither past due nor impaired*
Bank deposits	6	1,126	1,102	17,002	–	–	–	9,043	**28,273**
Loan issued	11	–	–	–	–	–	–	2,646	**2,646**
Available-for-sale financial assets	7	–	–	3,115	1,263	–	1,029	2,303	**7,710**
Pension fund assets	15	–	–	3,383	20	–	–	1,225	**4,628**
Total		**1,126**	**1,102**	**23,500**	**1,283**	**–**	**1,029**	**15,217**	**43,257**

The Group does not have a credit rating system to evaluate credit quality of reinsurance receivables, ceded share of technical provisions and loans issued.

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group is the daily calls on its available cash resources in respect of claims arising from insurance contracts and the maturity of debt securities.

The Group manages liquidity through a Group liquidity risk policy which determines what constitutes liquidity risk for the Group; specifies minimum proportion of funds to meet emergency calls; setting up of contingency funding plans; specify the sources of funding and the events that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

(Thousands of Georgian lari unless otherwise stated)

34. Risk management (continued)

Financial risk (continued)

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

31 December 2022	*Within one year*	*More than one year*	*Total*
Assets			
Cash and cash equivalents	12,191	–	**12,191**
Bank deposits	34,919	10,665	**45,584**
Available-for-sale financial assets	2,025	7,422	**9,447**
Equity investments at fair value	638	16,615	**17,253**
Insurance and reinsurance receivables	57,762	–	**57,762**
Loans issued	4,534	104	**4,638**
Ceded share of technical provisions (except reinsurer's share in UPR)	8,705	953	**9,658**
Pension fund assets	4,899	–	**4,899**
Other assets	3,736	–	**3,736**
Total assets	**129,409**	**35,759**	**165,168**
Liabilities			
Gross technical provisions (except UPR)	19,135	1,949	**21,084**
Other insurance liabilities	36,074	–	**36,074**
Pension fund liabilities	4,899	–	**4,899**
Other liabilities	13,897	–	**13,897**
Lease liabilities	105	2,053	**2,158**
Total liabilities	**74,110**	**4,002**	**78,112**
Net position	**55,299**	**31,757**	**87,056**
Accumulated gap	**55,299**	**87,056**	

31 December 2021	*Within one year*	*More than one year*	*Total*
Assets			
Cash and cash equivalents	11,181	–	**11,181**
Bank deposits	16,332	11,941	**28,273**
Available-for-sale financial assets	3,517	4,193	**7,710**
Equity investments at fair value	993	24,165	**25,158**
Insurance and reinsurance receivables	50,923	–	**50,923**
Loans issued	2,646	–	**2,646**
Ceded share of technical provisions (except reinsurer's share in UPR)	3,173	410	**3,583**
Pension fund assets	4,628	–	**4,628**
Other assets	3,954	–	**3,954**
Total assets	**97,347**	**40,709**	**138,056**
Liabilities			
Gross technical provisions (except UPR)	10,032	1,111	**11,143**
Other insurance liabilities	24,787	–	**24,787**
Pension fund liabilities	4,628	–	**4,628**
Other liabilities	11,770	–	**11,770**
Lease liabilities	988	2,367	**3,355**
Total liabilities	**52,205**	**3,478**	**55,683**
Net position	**45,142**	**37,231**	**82,373**
Accumulated gap	**45,142**	**82,373**	

The amounts and maturities in respect of insurance liabilities are based on management's best estimate based on statistical techniques and past experience.

In management's opinion, liquidity is sufficient to meet the Group's present requirements.

(Thousands of Georgian lari unless otherwise stated)

34. Risk management (continued)

Financial risk (continued)

The Group's financial liabilities at 31 December 2022 and 2021 based on contractual undiscounted repayment obligations are as follows:

31 December 2022	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Pension fund liabilities	–	4,899	–	–	**4,899**
Other liabilities	8,255	5,642	–	–	**13,897**
Lease liabilities	161	637	1,719	–	**2,517**
Total undiscounted liabilities	**8,416**	**11,178**	**1,719**	**–**	**21,313**

31 December 2021	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Pension fund liabilities	–	4,628	–	–	**4,628**
Other liabilities	3,928	7,842	–	–	**11,770**
Lease liabilities	165	673	2,868	303	**4,009**
Total undiscounted liabilities	**4,093**	**13,143**	**2,868**	**303**	**20,407**

Contractual undiscounted repayment obligations for lease liabilities at 31 December 2022 and 2021 can further be presented as follows:

	2022	***2021***
Within one year	798	838
Between 1 and 2 years	730	857
Between 2 and 3 years	714	856
Between 3 and 4 years	256	840
Between 4 and 5 years	19	315
More than 5 years	–	303
	2,517	**4,009**

Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchanges.

The Group structures levels of market risk it accepts through compliance with ISSSG directives on assets allowable to secure insurance reserves and structure of such assets. This directive determines what constitutes market risk for the Group; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument and geographical area; sets out the net exposure limits by each counterparty or group of counterparties, and geographical and industry segments.

Currency risk

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's principal transactions are carried out in Georgian lari and its exposure to foreign exchange risk arise primarily with respect to US dollars and euro, as the insurance operations denominated in US dollars form significant part of the Group's operations.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment liabilities, which mitigate the foreign currency exchange rate risk for the overseas operations. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment liabilities are expected to be settled.

(Thousands of Georgian lari unless otherwise stated)

34. Risk management (continued)

Market risk (continued)

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2022 and 2021 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Georgian lari, with all other variables held constant on the statement of comprehensive income. A negative amount in the table reflects a potential net reduction in statement of comprehensive income, while a positive amount reflects a net potential increase.

	As at 31 December 2022			
	GEL	***USD***	***EUR***	***Total***
Assets				
Cash and cash equivalents	11,919	195	77	**12,191**
Bank deposits	45,584	–	–	**45,584**
Available-for-sale financial assets	2,284	7,163	–	**9,447**
Loans issued	2,992	1,646	–	**4,638**
Insurance and reinsurance receivables	17,794	38,668	1,300	**57,762**
Ceded share of technical provisions	14,725	9,450	208	**24,383**
Pension fund assets	4,376	523	–	**4,899**
Total assets	**99,674**	**57,645**	**1,585**	**158,904**
Liabilities				
Gross technical provisions	56,947	13,523	388	**70,858**
Other insurance liabilities	5,337	29,289	1,448	**36,074**
Pension fund liabilities	4,493	405	1	**4,899**
Other liabilities	13,823	74	–	**13,897**
Lease liabilities	130	2,028	–	**2,158**
Total liabilities	**80,730**	**45,319**	**1,837**	**127,886**
Net position	**18,944**	**12,326**	**(252)**	**31,018**
Increase in currency rate in %		15.0%	15.0%	
Effect on profit		1,849	(38)	
Decrease in currency rate in %		-2.0%	-2.0%	
Effect on profit		(247)	5	

	As at 31 December 2021			
	GEL	***USD***	***EUR***	***Total***
Assets				
Cash and cash equivalents	8,447	2,455	279	**11,181**
Bank deposits	28,273	–	–	**28,273**
Available-for-sale financial assets	1,059	6,651	–	**7,710**
Loans issued	868	1,778	–	**2,646**
Insurance and reinsurance receivables	22,064	27,901	958	**50,923**
Ceded share of technical provisions	15,615	3,466	118	**19,199**
Pension fund assets	3,877	751	–	**4,628**
Total assets	**80,203**	**43,002**	**1,355**	**124,560**
Liabilities				
Gross technical provisions	53,560	5,551	221	**59,332**
Other insurance liabilities	8,606	15,477	704	**24,787**
Pension fund liabilities	4,094	534	–	**4,628**
Other liabilities	11,696	70	4	**11,770**
Lease liabilities	81	3,274	–	**3,355**
Total liabilities	**78,037**	**24,906**	**929**	**103,872**
Net position	**2,166**	**18,096**	**426**	**20,688**
Increase in currency rate in %		10.0%	10.0%	
Effect on profit		1,810	43	
Decrease in currency rate in %		-4.0%	-4.0%	
Effect on profit		(724)	(17)	

(Thousands of Georgian lari unless otherwise stated)

35. Fair values measurements

Fair value hierarchy

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

	Level 1	*Level 2*	*Level 3*	*Total 2022*
Assets measured at fair value				
Available-for-sale financial assets	−	9,447	−	**9,447**
Equity investments at fair value	1,639	15,614	−	**17,253**
Pension fund assets				
- Available for sale assets	−	347	−	**347**
Assets for which fair values are disclosed				
Cash and cash equivalents	12,191	−	−	**12,191**
Bank deposits	−	45,584	−	**45,584**
Loan issued	−	−	4,638	**4,638**
Pension fund assets				
- Cash and cash equivalents	1,195	−	−	**1,195**
- Bank deposits	−	3,357	−	**3,357**
Liabilities for which fair values are disclosed				
Pension fund liability	−	4,899	−	**4,899**

	Level 1	*Level 2*	*Level 3*	*Total 2021*
Assets measured at fair value				
Available-for-sale financial assets	−	7,710	−	**7,710**
Equity investments at fair value	2,856	22,302	−	**25,158**
Pension fund assets				
- Available for sale assets	−	748	−	**748**
Assets for which fair values are disclosed				
Cash and cash equivalents	11,181	−	−	**11,181**
Bank deposits	−	28,273	−	**28,273**
Loan issued	−	−	2,646	**2,646**
Pension fund assets				
- Cash and cash equivalents	739	−	−	**739**
- Bank deposits	−	3,141	−	**3,141**
Liabilities for which fair values are disclosed				
Pension fund liability	−	4,628	−	**4,628**

The following is a description of the determination of fair value for financial instruments and property which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Equity investments at fair value

Investment in shares of the ultimate parent company is valued using quoted market prices in an active market and no adjustment to the quoted price is required.

Investments in redeemable shares is calculated using the NAV per share, value of which is determined based on data observable in the market.

Available-for-sale financial assets

Available-for-sale financial assets are valued using a valuation technique or pricing models consist of unquoted debt securities. These securities are valued using models which incorporate data observable in the market − market rates appropriate to instrument maturity, currency and issuer's credit risk.

(Thousands of Georgian lari unless otherwise stated)

35. Fair values measurements (continued)

Fair value of financial assets and liabilities not carried at fair value

As at 31 December 2022 and 2021, carrying values of financial assets and liabilities that are not carried at fair value in consolidated statement of financial position was not significantly different to their fair values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments. The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments.

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

36. Related party transactions

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Transactions with related parties disclosed below related to insurance activities have been conducted in normal course of business.

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

	2022		***2021***	
	Parent	***Entities under common control***	***Parent***	***Entities under common control***
Assets				
Insurance and reinsurance receivables	32	3,731	27	3,888
Ceded share of technical reserves	394	6,676	473	690
Other assets	10	157	10	375
Available-for-sale financial assets	1,102	2,381	1,264	1,159
Equity investments at fair value	1,639	–	2,856	–
Loans issued (Note 11)	186	4,348	445	2,201
Right-of-use assets	–	779	–	1,018*
	3,363	**18,072**	**5,075**	**9,331**
Liabilities				
Gross technical provisions	544	10,854	674	3,675
Other liabilities	39	113	39	70
Other insurance liabilities	71	1,872	38	1,808
Lease liabilities	–	661	–	954*
	654	**13,500**	**751**	**6,507**

* In 2021, the Group entered into a lease agreement with an entity under common control. The lease term is 5 years and the lease payments are denominated in USD.

(Thousands of Georgian lari unless otherwise stated)

36. Related party transactions (continued)

	2022		*2021*	
	Parent	***Entities under common control***	***Parent***	***Entities under common control***
Income and expenses				
Net insurance revenue	331	4,751	300	5,361
Net insurance claims and claims handling expenses	(113)	(2,264)	–	(991)
Acquisition costs, net of reinsurance	–	(90)	–	(36)
Investment income	91	517	100	1,067
Salaries and other employee benefits	–	(104)	–	(105)
Depreciation and amortization expenses	–	(239)	–	(236)
Net other operating income	–	27	–	195
Interest expense	–	(57)	–	(70)
	309	**2,541**	**400**	**5,185**

Compensation of key management personnel (2022: 11 persons; 2021: 10 persons) comprised the following:

	2022	*2021*
Salaries and bonuses	3,531	3,123
Share-based payments compensation	2,395	1,615
Total key management compensation	**5,926**	**4,738**

Additional financial information

(Thousands of Georgian lari unless otherwise stated)

Consolidating schedule for the statement of financial position:

	2022				2021			
	The Company	Subsidiaries	Intercompany balances and consolidation adjustments	Total	The Company	Subsidiaries	Intercompany balances and consolidation adjustments	Total
Assets								
Cash and cash equivalents	11,555	636	−	**12,191**	10,379	802	−	**11,181**
Bank deposits	36,250	9,334	−	**45,584**	19,973	8,300	−	**28,273**
Available-for-sale financial assets	9,247	200	−	**9,447**	7,510	200	−	**7,710**
Equity investments at fair value	17,253	−	−	**17,253**	25,158	−	−	**25,158**
Insurance and reinsurance receivables	56,184	1,578	−	**57,762**	48,931	1,992	−	**50,923**
Loan Issued	4,638	56	(56)	**4,638**	2,222	474	(50)	**2,646**
Ceded share of technical provisions	24,383	−	−	**24,383**	19,199	−	−	**19,199**
Current income tax assets	−	217	−	**217**	471	10	−	**481**
Deferred income tax assets	456	−	−	**456**	885	226	−	**1,111**
Deferred acquisition costs	4,859	11	−	**4,870**	4,679	41	−	**4,720**
Property and equipment	5,920	911	−	**6,831**	5,660	942	−	**6,602**
Right-of-use assets	2,664	12	(136)	**2,540**	3,495	19	(82)	**3,432**
Goodwill and other intangible assets	19,518	1	−	**19,519**	18,553	1	−	**18,554**
Pension fund assets	4,899	−	−	**4,899**	4,628	−	−	**4,628**
Other assets	3,333	427	(24)	**3,736**	3,471	615	(132)	**3,954**
Investment in subsidiaries	9,521	−	(9,521)	−	9,771	−	(9,771)	−
Total assets	**210,680**	**13,383**	**(9,737)**	**214,326**	**184,985**	**13,622**	**(10,035)**	**188,572**
Equity								
Share capital	1,889	9,485	(9,485)	**1,889**	1,889	9,735	(9,735)	**1,889**
Additional paid-in capital	8,419	−	243	**8,662**	7,591	−	243	**7,834**
Preferred shares	18,647	−	−	**18,647**	18,647	−	−	**18,647**
Other reserves	−	45	(45)	**−**	−	45	(45)	−
Retained earnings	55,664	1,594	(235)	**57,023**	55,568	924	(237)	**56,255**
Total equity	**84,619**	**11,124**	**(9,522)**	**86,221**	**83,695**	**10,704**	**(9,774)**	**84,625**
Liabilities								
Gross technical provisions	68,987	1,871	−	**70,858**	56,959	2,378	(5)	**59,332**
Other insurance liabilities	36,074	−	−	**36,074**	24,787	−	−	**24,787**
Current income tax liabilities	219	−	−	**219**	−	75	−	**75**
Borrowings	56	−	(56)	**−**	50	−	(50)	−
Lease liabilities	2,298	19	(159)	**2,158**	3,437	32	(114)	**3,355**
Pension fund liabilities	4,899	−	−	**4,899**	4,628	−	−	**4,628**
Other liabilities	13,528	369	−	**13,897**	11,429	433	(92)	**11,770**
Total liabilities	**126,061**	**2,259**	**(215)**	**128,105**	**101,290**	**2,918**	**(261)**	**103,947**
Total equity and liabilities	**210,680**	**13,383**	**(9,737)**	**214,326**	**184,985**	**13,622**	**(10,035)**	**188,572**

Additional financial information (continued)

(Thousands of Georgian lari unless otherwise stated)

Consolidating schedule for the comprehensive income:

	2022				2021			
	The Company	*Subsidiaries*	*Intercompany transactions*	*Total*	*The Company*	*Subsidiaries*	*Intercompany transactions*	*Total*
Gross earned premiums on insurance contracts	132,798	4,687	(6)	**137,479**	117,990	4,817	(13)	**122,794**
Reinsurers' share of earned premiums on insurance contracts	(38,968)	–	–	**(38,968)**	(36,304)	–	–	**(36,304)**
Net insurance revenue	**93,830**	**4,687**	**(6)**	**98,511**	**81,686**	**4,817**	**(13)**	**86,490**
Gross insurance claims expenses	(55,488)	(2,664)	7	**(58,145)**	(48,627)	(1,982)	21	**(50,588)**
Reinsurer's share of insurance claims expenses	9,290	–	–	**9,290**	4,950	–	–	**4,950**
Claim settlement expenses	(2,137)	(181)	–	**(2,318)**	(1,737)	(174)	–	**(1,911)**
Income from regress and salvages	5,395	252	–	**5,647**	5,200	453	–	**5,653**
Net insurance claims and claims handling expenses	**(42,940)**	**(2,593)**	**7**	**(45,526)**	**(40,214)**	**(1,703)**	**21**	**(41,896)**
Acquisition costs, net of reinsurance	(11,870)	(184)	–	**(12,054)**	(10,085)	(292)	–	**(10,377)**
Net underwriting profit	**39,020**	**1,910**	**1**	**40,931**	**31,387**	**2,822**	**8**	**34,217**
Investment income	5,738	1,188	(1,506)	**5,420**	9,782	1,323	(5,609)	**5,496**
Pension fund asset management fee	313	–	–	**313**	613	–	–	**613**
Investment result	**6,051**	**1,188**	**(1,506)**	**5,733**	**10,395**	**1,323**	**(5,609)**	**6,109**
Salaries and other employee benefits	(13,958)	(171)	–	**(14,129)**	(12,185)	(182)	–	**(12,367)**
General and administrative expenses	(4,245)	(273)	36	**(4,482)**	(3,418)	(258)	46	**(3,630)**
Depreciation and amortization expenses	(2,641)	(39)	164	**(2,516)**	(2,372)	(39)	176	**(2,235)**
Impairment (charge)/reversal	(415)	(5)	–	**(420)**	(290)	3	–	**(287)**
Net other operating income	547	403	(200)	**750**	945	408	(235)	**1,118**
Other expenses	**(20,712)**	**(85)**	**–**	**(20,797)**	**(17,320)**	**(68)**	**(13)**	**(17,401)**
Operating profit	**24,359**	**3,013**	**(1,505)**	**25,867**	**24,462**	**4,077**	**(5,614)**	**22,925**
Foreign exchange losses (gains)	140	(259)	(8)	**(127)**	(1,488)	(217)	(5)	**(1,710)**
Interest expense	(204)	(2)	15	**(191)**	(386)	(3)	119	**(270)**
Net losses from revaluation of equity investments at fair value	(5,351)	–	–	**(5,351)**	(841)	–	–	**(841)**
Net non-recurring items	–	–	–	**–**	640	–	–	**640**
Pre-tax profit	**18,944**	**2,752**	**(1,498)**	**20,198**	**22,387**	**3,857**	**(5,500)**	**20,744**
Income tax expense	(3,621)	(581)	–	**(4,202)**	(2,534)	(577)	–	**(3,111)**
Net profit	**15,323**	**2,171**	**(1,498)**	**15,996**	**19,853**	**3,280**	**(5,500)**	**17,633**
Other comprehensive income	–	–	–	**–**	–	–	–	**–**
Total comprehensive income	**15,323**	**2,171**	**(1,498)**	**15,996**	**19,853**	**3,280**	**(5,500)**	**17,633**

Additional financial information (continued)

(Thousands of Georgian lari unless otherwise stated)

Consolidation schedule for the statement of cash flows:

	2022				*2021*			
	The Company	*Subsidiaries*	*Intercompany transactions*	*Total*	*The Company*	*Subsidiaries*	*Intercompany transactions*	*Total*
Cash flows from operating activities								
Insurance premium received	120,690	3,897	(6)	**124,581**	105,095	4,715	(17)	**109,793**
Reinsurance premium paid	(18,330)	−	1	**(18,329)**	(20,603)	−	1	**(20,602)**
Insurance benefits and claims paid	(41,341)	(2,058)	(195)	**(43,594)**	(44,501)	(3,234)	(679)	**(48,414)**
Reinsurance claims received	525	−	−	**525**	1,342	−	−	**1,342**
Acquisition costs paid	(12,544)	(282)	−	**(12,826)**	(9,653)	(235)	−	**(9,888)**
Salaries and benefits paid	(12,119)	(159)	−	**(12,278)**	(12,721)	(184)	−	**(12,905)**
Interest received	3,571	713	(4)	**4,280**	4,640	2,240	(134)	**6,746**
Interest paid on borrowings	−	−	−	**−**	(180)	−	134	**(46)**
Interest paid on lease liabilities	(181)	(4)	10	**(175)**	(301)	(1)	7	**(295)**
Operating taxes paid	(310)	(32)	−	**(342)**	(189)	(37)	−	**(226)**
Other operating income received	175	367	(197)	**345**	595	403	(205)	**793**
Other operating expenses paid	(4,435)	(37)	229	**(4,243)**	(4,036)	(19)	49	**(4,006)**
Net change in other operating assets and liabilities	2,744	10	−	**2,754**	(442)	3	679	**240**
Net cash flows from operating activities before income tax	**38,445**	**2,415**	**(162)**	**40,698**	**19,046**	**3,651**	**(165)**	**22,532**
Income tax paid	(2,500)	(638)	−	**(3,138)**	(3,109)	(448)	−	**(3,557)**
Net cash flows from operating activities	**35,945**	**1,777**	**(162)**	**37,560**	**15,937**	**3,203**	**(165)**	**18,975**
Cash flows from (used in) investing activities								
Dividend received	1,500	−	(1,500)	**−**	5,500	−	(5,500)	**−**
Purchase of premises and equipment	(496)	−	3	**(493)**	(461)	−	−	**(461)**
Proceeds from sale of premises and equipment	−	−	−	**−**	1,713	−	−	**1,713**
Purchase of intangible assets	(1,710)	−	−	**(1,710)**	(1,544)	−	−	**(1,544)**
Loan Issued	(11,823)	(585)	−	**(12,408)**	(23,232)	(2,556)	165	**(25,623)**
Proceeds from repayment of loan issued	9,061	1,009	−	**10,070**	27,819	7,108	(907)	**34,020**
Settlement of forward agreement	1,873	−	−	**1,873**	−	−	−	**−**
Net withdrawal (placement) of bank deposits	(14,975)	(560)	−	**(15,535)**	3,337	(1,218)	−	**2,119**
Purchase of equity investments at fair value	−	−	−	**−**	(23,400)	−	−	**(23,400)**
Purchase of available-for-sale assets	(3,966)	−	−	**(3,966)**	(1,954)	−	−	**(1,954)**
Proceeds from available-for-sale assets	1,435	−	−	**1,435**	1,000	−	−	**1,000**
Net cash flows used in investing activities	**(19,101)**	**(136)**	**(1,497)**	**(20,734)**	**(11,222)**	**3,334**	**(6,242)**	**(14,130)**
Cash flows from financing activities								
Proceeds from issuance of preference shares	−	−	−	**−**	18,647	−	−	**18,647**
Reduction in share capital	−	(250)	250	**−**	−	(1,000)	1,000	**−**
Proceeds from reduction in share capital of subsidiary	250	−	(250)	**−**	1,000		(1,000)	**−**
Contributions under share-based payment plan	−	−	−	**−**	(824)	−	−	**(824)**
Dividend Paid	(15,000)	(1,500)	1,500	**(15,000)**	(15,013)	(5,500)	5,500	**(15,013)**
Proceeds from borrowings	−	−	−	**−**	165	−	(165)	**−**
Repayment of borrowings	−	−	−	**−**	(907)	−	907	**−**
Proceeds from repurchase agreement	−	−	−	**−**	−	−	−	**−**
Repayment of repurchase agreement	−	−	−	**−**	(570)	−	−	**(570)**
Repayment of lease liabilities	(851)	(10)	158	**(703)**	(1,100)	(3)	165	**(938)**
Net cash flows used in financing activities	**(15,601)**	**(1,760)**	**1,658**	**(15,703)**	**1,398**	**(6,503)**	**6,407**	**1,302**
Effect of exchange rates changes on cash and cash equivalents	(68)	(45)	−	**(113)**	(359)	(167)	−	**(526)**
Net increase/(decrease) in cash and cash equivalents	**1,175**	**(164)**	**(1)**	**1,010**	**5,754**	**(133)**	**−**	**5,621**
Cash and cash equivalents, 1 January	10,379	802	−	**11,181**	4,625	935	−	**5,560**
Cash and cash equivalents, 31 December	**11,554**	**638**	**(1)**	**12,191**	**10,379**	**802**	**−**	**11,181**

Additional financial information (continued)

(Thousands of Georgian lari unless otherwise stated)

Cash and cash equivalents

Cash and cash equivalents as at 31 December comprise:

	2022		
	The Company	*Subsidiaries*	*Total*
Current accounts	11,555	636	**12,191**
Total cash and cash equivalents	**11,555**	**636**	**12,191**

	2021		
	The Company	*Subsidiaries*	*Total*
Current accounts	10,379	802	**11,181**
Total cash and cash equivalents	**10,379**	**802**	**11,181**

Bank deposits

Bank deposits as at 31 December comprise:

	2022		
	The Company	*Subsidiaries*	*Total*
- JSC TBC Bank	7,752	2,139	**9,891**
- JSC Credo Bank	10,865	3,099	**13,964**
- JSC Bank of Georgia	17,016	4,096	**21,112**
- JSC Halyk Bank	617	−	**617**
Total bank deposits	**36,250**	**9,334**	**45,584**

	2021		
	The Company	*Subsidiaries*	*Total*
- JSC TBC Bank	7,876	2,083	**9,959**
- JSC Credo Bank	6,073	2,970	**9,043**
- JSC Bank of Georgia	4,344	2,699	**7,043**
- JSC Halyk Bank	1,126	−	**1,126**
- JSC VTB Bank	554	548	**1,102**
Total bank deposits	**19,973**	**8,300**	**28,273**

Additional financial information (continued)

(Thousands of Georgian lari unless otherwise stated)

Property and equipment

The movements in property and equipment in 2022 were as follows:

The Company	***Land and buildings***	***Furniture and fixtures***	***Computers and equipment***	***Motor vehicles***	***Leasehold improvements***	***Total***
Cost						
31 December 2021	**3,305**	**1,671**	**3,318**	**352**	**825**	**9,471**
Additions	481	139	279	44	182	**1,125**
Disposals	−	(3)	(27)	(27)	−	**(57)**
31 December 2022	**3,786**	**1,807**	**3,570**	**369**	**1,007**	**10,539**
Accumulated depreciation						
31 December 2021	**558**	**838**	**2,043**	**240**	**132**	**3,811**
Depreciation charge	93	120	426	40	136	**815**
Disposals	−	−	−	(7)	−	**(7)**
31 December 2022	**651**	**958**	**2,469**	**273**	**268**	**4,619**
Net book value						
31 December 2021	**2,747**	**833**	**1,275**	**112**	**693**	**5,660**
31 December 2022	**3,135**	**849**	**1,101**	**96**	**739**	**5,920**

Subsidiaries	***Land and buildings***	***Furniture and fixtures***	***Computers and equipment***	***Motor vehicles***	***Leasehold improvements***	***Total***
Cost						
31 December 2021	**1,459**	**−**	**−**	**−**	**2**	**1,461**
31 December 2022	**1,459**	**−**	**−**	**−**	**2**	**1,461**
Accumulated depreciation						
31 December 2021	**518**	**−**	**−**	**−**	**1**	**519**
Depreciation charge	31	−	−	−	−	**31**
31 December 2022	**549**	**−**	**−**	**−**	**1**	**550**
Net book value						
31 December 2021	**941**	**−**	**−**	**−**	**1**	**942**
31 December 2022	**910**	**−**	**−**	**−**	**1**	**911**

Additional financial information (continued)

(Thousands of Georgian lari unless otherwise stated)

Property and equipment (continued)

The movements in property and equipment in 2021 were as follows:

The Company	*Land and buildings*	*Furniture and fixtures*	*Computers and equipment*	*Motor vehicles*	*Leasehold improvements*	*Total*
Cost						
31 December 2020	**4,496**	**1,459**	**2,891**	**353**	**657**	**9,856**
Additions	12	217	429	68	334	**1,060**
Disposals	(1,203)	(5)	(2)	(69)	(166)	**(1,445)**
31 December 2021	**3,305**	**1,671**	**3,318**	**352**	**825**	**9,471**
Accumulated depreciation						
31 December 2020	**617**	**730**	**1,654**	**236**	**161**	**3,398**
Depreciation charge	104	110	390	52	121	**777**
Disposals	(163)	(2)	(1)	(48)	(150)	**(364)**
31 December 2021	**558**	**838**	**2,043**	**240**	**132**	**3,811**
Net book value						
31 December 2020	**3,879**	**729**	**1,237**	**117**	**496**	**6,458**
31 December 2021	**2,747**	**833**	**1,275**	**112**	**693**	**5,660**

Subsidiaries	*Land and buildings*	*Furniture and fixtures*	*Computers and equipment*	*Motor vehicles*	*Leasehold improvements*	*Total*
Cost						
31 December 2020	**1,459**	**–**	**–**	**–**	**2**	**1,461**
31 December 2021	**1,459**	**–**	**–**	**–**	**2**	**1,461**
Accumulated depreciation						
31 December 2020	**487**	**–**	**–**	**–**	**1**	**488**
Depreciation charge	31	–	–	–	–	**31**
31 December 2021	**518**	**–**	**–**	**–**	**1**	**519**
Net book value						
31 December 2020	**972**	**–**	**–**	**–**	**1**	**973**
31 December 2021	**941**	**–**	**–**	**–**	**1**	**942**

Giorgi Baratashvili General Director

Nino Jibladze Financial Director

20 March 2023

Additional financial information (continued)

(Thousands of Georgian lari unless otherwise stated)

Property and equipment (continued)

The movements in property and equipment in 2021 were as follows:

The Company	*Land and buildings*	*Furniture and fixtures*	*Computers and equipment*	*Motor vehicles*	*Leasehold improvements*	*Total*
Cost						
31 December 2020	**4,496**	**1,459**	**2,891**	**353**	**657**	**9,856**
Additions	12	217	429	68	334	**1,060**
Disposals	(1,203)	(5)	(2)	(69)	(166)	**(1,445)**
31 December 2021	**3,305**	**1,671**	**3,318**	**352**	**825**	**9,471**
Accumulated depreciation						
31 December 2020	**617**	**730**	**1,654**	**236**	**161**	**3,398**
Depreciation charge	104	110	390	52	121	**777**
Disposals	(163)	(2)	(1)	(48)	(150)	**(364)**
31 December 2021	**558**	**838**	**2,043**	**240**	**132**	**3,811**
Net book value						
31 December 2020	**3,879**	**729**	**1,237**	**117**	**496**	**6,458**
31 December 2021	**2,747**	**833**	**1,275**	**112**	**693**	**5,660**

Subsidiaries	*Land and buildings*	*Furniture and fixtures*	*Computers and equipment*	*Motor vehicles*	*Leasehold improvements*	*Total*
Cost						
31 December 2020	**1,459**	**–**	**–**	**–**	**2**	**1,461**
31 December 2021	**1,459**	**–**	**–**	**–**	**2**	**1,461**
Accumulated depreciation						
31 December 2020	**487**	**–**	**–**	**–**	**1**	**488**
Depreciation charge	31	–	–	–	–	**31**
31 December 2021	**518**	**–**	**–**	**–**	**1**	**519**
Net book value						
31 December 2020	**972**	**–**	**–**	**–**	**1**	**973**
31 December 2021	**941**	**–**	**–**	**–**	**1**	**942**

Giorgi Baratashvili General Director

Nino Jibladze Financial Director

20 March 2023