International Insurance Company IRAO JSC

Financial Statements

for 2024

Contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management of International Insurance Company IRAO JSC (the "Company") is responsible for the accompanying financial statements presented on pages 6 to 33.

This responsibility includes:

- preparation of financial statements in accordance with IFRS Accounting Standards issued by IASB;
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent;
- preparation of the financial statements on the going concern basis, unless circumstances make this inappropriate.

Management is also responsible for:

- creation, implementation and maintaining effective accounting and internal control systems;
- keeping proper accounting records in compliance with local regulations;
- taking such steps as are reasonably open to them to safeguard the assets of the Company; and
- prevention and detection of fraud and other irregularities.

The financial statements for the year ended 31 December 2024 were approved by the management and signed on its behalf by:

Vakhtang Dekanosidze
General Director
International Insurance Company IRAO JSC

Ramaz Khvichia
Chief Financial Officer
International Insurance Company IRAO JSC

Date: 26 February 2025

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Independent Auditors' Report

To the Supervisory Board of International Insurance Company IRAO JSC

Opinion

We have audited the financial statements of International Insurance Company IRAO JSC (the "Company"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement of Management Report

Management is responsible for the Management Report. The Management Report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Management Report, we conclude whether the other information:

- is consistent with the financial statements and does not contain material misstatement.
- contains all information that is required by and is compliant with the Law of Georgia on Accounting, Reporting and Auditing.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

Irina Gevorgyan

KPMG Georgia LLC

Tbilisi, Georgia
26 February 2025

	Note	2024 GEL'000	2023 GEL'000
Insurance service revenue	5	79,179	67,609
Insurance service expenses	5	(65,918)	(54,361)
Reinsurance result	5	(9,713)	(9,958)
Insurance service result		**3,548**	**3,290**
Net insurance finance expenses		(994)	(682)
Other operating expenses	6	(2,794)	(2,334)
Interest income from placements in banks		3,170	2,303
Net other income/(expense)		537	(197)
Profit before income tax		**3,467**	**2,380**
Income tax expense	7	-	(582)
Profit for the year		**3,467**	**1,798**
Total comprehensive income for the year		**3,467**	**1,798**

These financial statements were approved on 26 February 2025 by:

Vakhtang Dekanosidze
General Director

Ramaz Khvichia
Chief Financial Officer

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 33.

’000 GEL	**Note**	**31 December 2024**	**31 December 2023**
ASSETS			
Property and equipment	8	6,596	6,665
Investment property	9	1,861	1,894
Intangible assets		924	1,159
Other assets		816	1,043
Reinsurance contract assets held	11	5,179	4,834
Bank deposits	16	34,131	28,302
Cash and cash equivalents	10	3,939	2,517
Total assets		**53,446**	**46,414**
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Liabilities			
Insurance contract liabilities	11	31,260	27,118
Loans and borrowings	12	-	1,179
Other liabilities	13	4,576	3,974
Total liabilities		**35,836**	**32,271**
Shareholders’ equity	14		
Subscribed capital		24,222	24,222
Accumulated losses		(6,612)	(10,079)
Total equity		**17,610**	**14,143**
Total liabilities and equity		**53,446**	**46,414**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 33.

’000 GEL	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received net of acquisition costs	11	80,998	72,550
Claims and other directly attributable expenses paid	11	(64,966)	(55,154)
Cash flow from reinsurance	11	(9,681)	(12,534)
Cash flows for other operating expenses paid		(1,396)	(1,534)
Cash flows from operating activities		**4,955**	**3,328**
Cash flows from investing activities			
Acquisition of property and equipment, investment property and intangible assets		(168)	(792)
Placements with banks		(33,158)	(27,285)
Withdrawals from banks		27,636	16,864
Interest received and rent income		3,333	1,786
Cash flows used in investing activities		**(2,357)**	**(9,427)**
Cash flows from financing activities			
Repayment of loans and borrowings	12	(1,176)	(1,995)
Cash flows used in financing activities		**(1,176)**	**(1,995)**
Net increase/(decrease) in cash and cash equivalents		**1,422**	**(8,094)**
Cash and cash equivalents at beginning of year		2,517	10,611
Cash and cash equivalents at end of year	10	**3,939**	**2,517**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 33.

’000 GEL	Subscribed capital	Accumulated losses	Total Equity
Balance as at 1 January 2023	**24,222**	**(11,877)**	**12,345**
Total comprehensive income			
Profit for the year	**-**	1,798	1,798
Profit and total comprehensive income for the year	**-**	**1,798**	**1,798**
Balance as at 31 December 2023	**24,222**	**(10,079)**	**14,143**

’000 GEL	Subscribed capital	Accumulated losses	Total Equity
Balance as at 1 January 2024	**24,222**	**(10,079)**	**14,143**
Total comprehensive income			
Profit for the year	**-**	3,467	3,467
Profit and total comprehensive income for the year	**-**	**3,467**	**3,466**
Balance as at 31 December 2024	**24,222**	**(6,612)**	**17,610**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 33.

1. Reporting entity

(a) Georgian business environment

The Company's operations are primarily located in Georgia. Consequently, the Company is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The ongoing military conflict between the Russian Federation and Ukraine has further increased uncertainty in the business environment.

The financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

(b) Organisation and operations

International Insurance Company IRAO JSC (the "Company") was incorporated in Georgia on 12 March 2004. The Company's registered office is #88/15 Botchorishvili Street, Tbilisi 0160, Georgia.

The Company is licensed to provide life and non-life insurance services in Georgia. However, International Insurance Company IRAO JSC only offers insurance services in health, property and other non-life segments.

As at 31 December 2024 and as at the date these financial statements were authorised for issue, 100% of the ordinary shares are held by ATBIH GmbH.

As at 31 December 2024, 31 December 2023 and the date these financial statements were authorised for issue, the Company's intermediate parent is VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna ("VIG"). The Company is ultimately controlled by Wiener Stadtische Wechselseitiger Versicherungsverein – Vermogensverwaltung – Vienna Insurance Group, Vienna.

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousands, except when otherwise indicated.

4. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Note 11 (d) – Insurance and reinsurance contract assets and liabilities

Measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values for financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Further information about the assumptions made in measuring fair values is included in Note 16 – Financial risk management.

5. Insurance result

'000 GEL	**2024**	**2023**
Insurance revenue from contracts measured under PAA	79,179	67,609
Insurance revenue – total	**79,179**	**67,609**
Incurred claims and other directly attributable expenses – net*	(67,693)	(54,873)
Changes that relate to past service - adjustments to the LIC	1,802	645
Net change of risk adjustment for non-financial risk	(27)	(133)
Insurance service expenses	**(65,918)**	**(54,361)**
Net income from insurance contracts	**13,261**	**13,248**
Reinsurance expense for - contracts measured under the PAA	(17,289)	(13,848)
Amounts recoverable from reinsurers – net	7,576	3,890
Net expenses from reinsurance contracts held	**(9,713)**	**(9,958)**
Insurance service result	**3,548**	**3,290**

* Incurred claims and other directly attributable expenses - net comprise from Incurred claims of GEL 47,081 thousand (2023: GEL 37,974 thousand), amortised insurance acquisition cash flows of GEL 13,645 thousand (2023: GEL 12,071 thousand) and directly attributable expenses of GEL 6,967 thousand (2023: GEL 4,828 thousand).

The following table disaggregates amortised insurance acquisition cash flows and other directly attributable expenses included in incurred claims and other directly attributable expenses:

	2024 GEL'000	2023 GEL'000
Salary	7,015	7,160
Commission	8,531	6,938
Office operating expenses	1,814	845
Regulatory fee	792	676
Depreciation and amortization	443	446
Utility	111	193
Marketing costs	106	148
Other expenses	1,800	493
Total	**20,612**	**16,899**

The other expenses above include fees accrued to the audit firm of GEL 205 thousand for the provision of audit services (2023: GEL 186 thousand).

6. Other operating expenses

	2024 GEL'000	2023 GEL'000
Salary	1,132	989
Representative costs	255	355
Professional fees	279	272
Depreciation and amortization	186	118
Office operating expenses	226	102
Other expenses	716	498
	2,794	**2,334**

7. Income taxes

(a) Amounts recognised in profit or loss

'000 GEL	**2024**	**2023**
Current income tax expense	–	(570)
Change in recognised deductible temporary differences (due to change in the legislation) *	–	12
Total	–	**(558)**

* Reversal of previously recognized deferred tax liabilities of GEL 12 thousand is attributable to changes in Georgian tax legislation. On 13 May 2016 the Parliament of Georgia passed a bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed.

The Financial Institution's transition to the new taxation system became effective from 1 January 2024.

Due to the nature of the new taxation system described above, the financial institutions registered in Georgia do not have any differences between the tax bases of assets and liabilities and their carrying amounts from 1 January 2024 and hence, no deferred income tax assets and liabilities was recognized. Consequently, the amounts recognized as at 31 December 2023 were written off.

According to the new Georgian Tax Code, if undistributed earnings from the years 2015-2023 are distributed in 2024 or subsequent years, the resulting income tax on dividend distribution can be set-off with and up to the amount of the income tax already paid on such undistributed earnings.

During 2024 and 2023 the Company has not declared or paid any dividends. As at 31 December 2024, the Company has no tax set-off available.

8. Property and equipment

'000 GEL	Land and buildings	Computers and software	Motor vehicles	Furniture & equipment	Right of use of asset	Total
Cost						
At 1 January 2024	7,536	1,345	235	724	281	10,121
Additions	-	143	-	35	244	422
Disposals	-	(224)	(69)	(56)	-	(349)
At 31 December 2024	**7,536**	**1,264**	**166**	**703**	**525**	**10,194**
Depreciation						
At 1 January 2024	1,823	864	87	445	237	3,456
Depreciation charge	142	154	20	60	90	467
Disposals depreciation	-	(222)	(48)	(54)	-	(325)
At 31 December 2024	**1,965**	**796**	**59**	**451**	**327**	**3,598**
Net book value						
At 31 December 2024	**5,571**	**468**	**107**	**252**	**198**	**6,596**

'000 GEL	Land and buildings	Computers and software	Motor vehicles	Furniture & equipment	Right of use of asset	Total
Cost						
At 1 January 2023	7,536	1,050	131	565	281	9,563
Additions	-	463	104	170	-	737
Disposals	-	(168)	-	(11)	-	(179)
At 31 December 2023	**7,536**	**1,345**	**235**	**724**	**281**	**10,121**
Depreciation						
At 1 January 2023	1,730	783	67	414	173	3,167
Depreciation charge	93	160	20	37	64	374
Disposals depreciation	-	(79)	-	(6)	-	(85)
At 31 December 2023	**1,823**	**864**	**87**	**445**	**237**	**3,456**
Net book value						
At 31 December 2023	**5,713**	**481**	**148**	**279**	**44**	**6,665**

(a) Security

As at 31 December 2024, the loan previously secured by a pledged building with a carrying amount of GEL 5,378 thousand as at 31 December 2023 has been fully repaid, and no security is in place (Note 12).

9. Investment property

Cost	**2024 ’000 GEL**	**2023 ’000 GEL**
At 1 January	1,894	1,918
Depreciation	(33)	(24)
At 31 December	**1,861**	**1,894**

The Company uses cost model for the investment property. Estimated market value of the investment property does not differ significantly from its carrying amount as at 31 December 2024 and 2023.

(a) Security

As at 31 December 2024, the loan previously secured by a pledged investment property with a carrying amount of GEL 1,354 thousand as at 31 December 2023 has been fully repaid, and no security is in place (Note 12).

10. Cash and cash equivalents

’000 GEL	31 December 2024	31 December 2023
Petty cash	1	1
Current accounts with banks	3,938	2,516
Total cash and cash equivalents	**3,939**	**2,517**

The cash and cash equivalents are mainly held with Georgian banks with short term issuer default rating of B, based on Fitch Rating. The Company does not expect any counterparty to fail to meet its obligations.

As at 31 December 2024 and 31 December 2023 none of cash and cash equivalents is impaired or past due.

11. Insurance and reinsurance contract assets and liabilities

(a) Movements in insurance contract liabilities

	December 31 2024				December 31 2023			
		Liability for incurred claims				Liability for incurred claims		
	Liability for remaining coverage	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Liability for remaining coverage	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Insurance contract liabilities as at 1 January	10,838	10,497	5,783	27,118	5,897	10,844	5,364	22,105
Insurance revenue	**(79,179)**	**-**	**-**	**(79,179)**	**(67,609)**	**-**	**-**	**(67,609)**
Insurance service expenses:								
Incurred claims and other directly attributable expenses	-	67,693	5,044	72,737	-	54,873	4,960	59,833
Changes that relate to past service - adjustments to the LIC	-	(1,802)	(5,017)	(6,819)	-	(645)	(4,827)	(5,472)
Insurance service expenses	**-**	**65,891**	**27**	**65,918**	**-**	**54,228**	**133**	**54,361**
Finance expense from insurance contracts	-	857	514	1,371	-	579	286	865
Total changes in the statement of profit and loss	**(79,179)**	**66,748**	**541**	**(11,890)**	**(67,609)**	**54,807**	**419**	**(12,383)**
Cash flows								
Premiums received net of acquisition costs	80,998	-	-	80,998	72,550	-	-	72,550
Claims and other directly attributable expenses paid	-	(64,966)	-	(64,966)	-	(55,154)	-	(55,154)
Total cash inflow / (outflow)	**80,998**	**(64,966)**	**-**	**16,032**	**72,550**	**(55,154)**	**-**	**17,396**
Insurance contract liabilities as at 31 December	**12,657**	**12,279**	**6,324**	**31,260**	**10,838**	**10,497**	**5,783**	**27,118**

(b) Movements in reinsurance contract assets

	December 31, 2024				December 31, 2023			
		Asset for incurred claims				Asset for incurred claims		
	Asset/ (liabilities) for remaining coverage	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total	Asset/ (liabilities) for remaining coverage	Estimates of present value of FCF	Risk adjustment for non-financial risk	Total
Reinsurance contract assets held as at 1 January	(1,375)	(3,129)	(330)	(4,834)	5,256	(6,943)	(388)	(2,075)
Reinsurance expense								
Allocation of reinsurance premiums	17,289	-	-	17,289	13,848	-	-	13,848
Incurred claims and other directly attributable expenses	-	(6,280)	(193)	(6,473)	-	(3,777)	(285)	(4,062)
Changes that relate to past service - adjustments to the AIC	-	(1,462)	359	(1,103)	-	(215)	387	172
Net expenses from reinsurance contracts	17,289	(7,742)	166	9,713	13,848	(3,992)	102	9,958
Finance expense from reinsurance contracts	-	(348)	(29)	(377)	-	(139)	(44)	(183)
Total changes in the statement of profit and loss	**17,289**	**(8,090)**	**137**	**9,336**	**13,848**	**(4,131)**	**58**	**9,775**
Cash flows								
Premiums paid net of commission income	(16,830)	-	-	(16,830)	(20,479)	-	-	(20,479)
Claims recovered	-	7,149	-	7,149	-	7,945	-	7,945
Total cash inflows / (outflows)	**(16,830)**	**7,149**	**-**	**(9,681)**	**(20,479)**	**7,945**	**-**	**(12,534)**
Reinsurance contract assets held as at 31 December	**(916)**	**(4,070)**	**(193)**	**(5,179)**	**(1,375)**	**(3,129)**	**(330)**	**(4,834)**

(c) Gross claims development

	2019 and earlier	2020	2021	2022	2023	2024	Total
Estimate of cumulative claims							
Accident year	49,250	38,164	26,122	29,966	32,812	46,357	46,357
One year later	50,325	37,102	25,103	28,348	31,157		31,157
Two years later	59,975	37,098	25,046	28,354			28,354
Three years later	63,516	37,103	25,019				25,019
Four years later	63,489	37,063					37,063
Five years later	63,402						63,402
Current estimate of incurred claims	63,402	37,063	25,019	28,354	31,157	46,357	231,352
Cumulative payments to date	62,999	37,051	24,828	28,100	27,928	37,596	218,502
Gross outstanding claims	**403**	**12**	**191**	**254**	**3,229**	**8,761**	**12,850**
Expected cash inflow from regress							(466)
Effect of discounting							(149)
Risk adjustment for non-financial risk							6,368
Liability for incurred claims							**18,603**

(d) Significant judgements and estimates

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- Discounting rate adjustment - to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. Company uses claims paid chain ladder models in order to derive cash flows estimates for incurred claims. Directly attributable cash flows include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance, administration costs.

(ii) Discount **rate**

The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Measurement of liabilities for incurred claims includes discounting adjustment for time value of money. Measurement of the liability for remaining coverage does not includes an adjustment for the time value of money and the effect of financial risk as the premium due date and the related period of services are less than 12 months apart.

(iii) Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique. The risk adjustments for non-financial risk are determined through calculating stress case scenario, applied to basic scenario methodologies used to determine fulfilment cash flows, and non-model risk adjustment.

Stress case scenario is based on chain ladder model, which uses only on historical development factors, but also estimation of development factor curves for several scenarios. Management estimated that recent adverse events (Russian Ukrainian war, the evolving political environment in Georgia) has changed customer behavior and historical development factors may not be useful. Management used scenario analysis for alternative methodology and in order to calculate risk adjustment.

Non-model risk adjustment was determined with addition of geopolitical risk premium adjustment to cost of capital for Georgian entities. Non-model risk adjustment amounted to 20% (2023: 20%) and was applied to total fulfilment cash flows calculated using alternative methodology.

The Company estimates that the total risk adjustments recognized by the Company correspond to a confidence level above 90% (2023: above 90%).

Management recognizes risk adjustment for non-financial risk using consistent estimates subsequent to adoption of IFRS 17. Underlying assumptions for risk adjustment were consistent for 2024, 2023 and all periods since adoption of IFRS 17. The majority of non-financial risk, for which risk adjustment had been recognized, expired.

12. Loans and borrowings

	2024 GEL'000	2023 GEL'000
Secured parent company loan	**-**	**1,179**

A. Terms and repayment schedule

				31 December 2024		31 December 2023	
'000 GEL	**Currency**	**Nominal interest Rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured parent company loan	EUR	3%+3 Month EURIBOR	2024	-	-	1,179	1,179
				-	**-**	**1,179**	**1,179**

B. Reconciliation of movements of liabilities to cash flows arising from financing activities

'000 GEL	**Loans and borrowings**	**Total**
Balance at 1 January 2024	**1,179**	**1,179**
Changes from financing cash flows:		
Principal repayment	(1,160)	(1,160)
Total changes from financing cash flows	**19**	**19**
Other changes		
The effect of changes in foreign exchange rates	(19)	(19)
Interest expense	16	16
Interest paid	(16)	(16)
Balance at 31 December 2024	**-**	**-**

'000 GEL	**Loans and borrowings**	**Total**
Balance at 1 January 2023	**3,209**	**3,209**
Changes from financing cash flows:		
Principal repayment	(1,995)	(1,995)
Total changes from financing cash flows	**(1,995)**	**(1,995)**
Other changes		
The effect of changes in foreign exchange rates	14	14
Interest expense	123	123
Interest paid	(172)	(172)
Balance at 31 December 2023	**1,179**	**1,179**

13. Other liabilities

'000 GEL	**31 December 2024**	**31 December 2023**
Employee liabilities	2,443	1,521
Prepayments received	1,852	1,208
Other liabilities	281	1,245
Total other liabilities	**4,576**	**3,974**

14. Equity

(a) Subscribed Capital

The subscribed and paid-in capital of the Company is specified below. Each share entitles the holder to one vote in the shareholders meetings of the Company.

Authorized, issued and paid-in capital	**31 December 2024**		**31 December 2023**	
	Number of shares	**Par value GEL**	**Number of shares**	**Par value GEL**
Ordinary shares	24,221,941	1	24,221,941	1

The holders of ordinary shares are entitled to receive dividends, as declared, from time to time.

In 2023 the Group updated its founding documents and replaced the concept of charter capital with subscribed capital in line with updated legislative requirements. Other than stated above, there were no changes to subscribed capital in 2024.

(b) Dividends

Effective 1 January 2022, having regard to the interim or annual financial results, a joint-stock company may, as provided for by law, adopt a decision on the distribution of profits to the subscribed shares in the form of dividends, unless:

(i). before or as a result of the distribution of dividends, the net assets as set out in the most recent financial statements of a joint-stock company are lower than the amount of the subscribed capital, plus the reserves determined by law or the statute, which may not be distributed to shareholders;

(ii). the amount of dividends to be distributed exceeds the amount of the net profit of the joint-stock company specified in the most recent financial statements, or in the case of interim dividends, earned after drawing up the most recent financial statements, plus any profits brought forward and amounts drawn from free reserves, less any losses brought forward and sums placed in reserves in accordance with law or the statute;

(iii). by the date dividends are distributed or as a result of the distribution of dividends, a joint-stock company will become insolvent or face the risk of insolvency.

During 2024 and 2023 the Company has not declared dividends.

15. Insurance risk management

(a) Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from individuals or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, medical, cargo or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Risks under non-life insurance policies usually cover twelve month duration. For general insurance contracts the most significant risks arise from changes in the relevant legal environment, changes in behaviour of policyholders, natural disasters and terrorist activities. For healthcare contracts the most significant risks arise from epidemics, natural disasters and increases in health care costs.

The Company also has exposure to market risk through its insurance activities. The Company manages its insurance risk through the use of established statistical techniques, reinsurance of risk concentrations, underwriting limits, approval procedures for transactions, pricing guidelines and monitoring of emerging issues.

(i) Underwriting strategy

The underwriting strategy is set out in the business plan that stipulates the classes and subclasses of business to be written. The strategy is implemented through underwriting guidelines that determine detailed underwriting rules for each type of product. The guidelines contain insurance concepts and procedures, descriptions of inherent risk, terms and conditions, rights and obligations, documentation requirements, template agreement/policy examples, rationale of applicable tariffs and factors that would affect the applicable tariff. The tariff calculations are based on probability and variation.

Adherence to the underwriting guidelines is monitored by management on an on-going basis.

Strict claim review policies to assess all new and on-going claims, regular detailed review of claims handling procedures and investigation of possible fraudulent claims are all policies and processes put in place to reduce claims. Where appropriate, the Company further enforces a policy of actively managing and promoting pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has also limited its exposure by imposing maximum claim amounts on certain contracts.

(ii) Reinsurance strategy

In order to reduce the insurance risks the Company utilises a reinsurance program. The majority of reinsurance business ceded is placed on a proportional and quota share/excess of loss basis with retention limits varying by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying liabilities for incurred claims. Although the Company has 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 under such reinsurance agreements. Reinsurance is placed with high rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At the end of each reporting period, management performs an assessment of creditworthiness of reinsurers to update reinsurance purchase strategy and ascertaining suitable allowance for impairment of reinsurance assets.

(b) Concentrations of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts with similar risk features, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contract tranches. Company has insurance contracts through different lines of businesses in order to reduce concentration risks.

Negative liability for remaining coverage in some lines of business represent the fact that services were provided for the period nevertheless amounts were not collected yet from customers.

	31-Dec-24		**31-Dec-23**	
	Liability for remaining coverage GEL'000	**Liability for incurred claims GEL'000**	**Liability for remaining coverage GEL'000**	**Liability for incurred claims GEL'000**
Medical	57	9,025	(1,359)	8,641
Property	2,509	2,251	5,197	1,669
Motor	2,247	2,662	7,617	2,139
Bonds	6,155	3	5,182	-
Liabilities	3,101	2,365	(2,852)	2,312
Marine and Cargo	2,204	1,257	(3,809)	1,128
Other	(3,616)	1,040	862	391
	12,657	**18,603**	**10,838**	**16,280**

16. Financial risk management

Management of financial risk is fundamental to the insurance business and is an essential element of the Company's operations. The major financial risks faced by the Company are those related to market risk, which includes interest rate and currency risks, credit risk and liquidity risk.

(a) Accounting classifications and fair values

Management believes that the fair value of the Company's financial assets and financial liabilities approximates their carrying amounts.

(b) Risk management policies and procedures

The Company's risk management policies aim to identify, analyze and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice. The Company through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Supervisory Board of the Company has overall responsibility for the oversight of the risk management framework. The Management of the Company is responsible for the management of key risks, designing and implementing risk management and control procedures as well as approving large exposures.

Both external and internal risk factors are identified and managed throughout the Company's organizational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates.

Market risk comprises currency risk and interest rate risk.

Market risk arises from open positions in interest rate, currency and financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

(i) Interest rate risk

Interest rate risk is the risk that fluctuations in market interest rates will affect adversely the financial position and the results of operations of the Company.

The table below displays the Company's interest-bearing assets and liabilities as at 31 December 2024 and 2023 and their corresponding average effective interest rates as at that dates. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	Value 2024 '000 GEL	Average effective interest rate 2024 '000 GEL	Value 2023 '000 GEL	Average effective interest rate 2023 '000 GEL
Interest bearing assets and liabilities				
Fixed interest				
Deposits with banks (excluding interest receivable)				
-GEL	28,787	12%	20,300	13%
-USD	4,533	5%	4,027	4%
-EUR	-	-	2,957	2%
Variable interest				
Loans and borrowings				
-EUR	-	-	1,179	6%

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

(ii) Currency risk

Management is responsible for continuously monitoring the development of exchange rates and foreign currency markets. The Company aims to close currency positions and ensures that an open currency position remains within the limits at all times.

The following table shows the foreign currency structure of monetary assets and liabilities and insurance contract assets and liabilities at 31 December 2024 and 31 December 2023:

31 December 2024	USD '000 GEL	EUR '000 GEL
Assets		
Reinsurance contract assets	-	5,697
Bank deposits	4,533	-
Other assets	130	52
Cash and cash equivalents	724	22
Total assets	**5,387**	**5,771**
Liabilities		
Reinsurance contract liabilities	1,288	-
Insurance contract liabilities	13,433	5,487
Total liabilities	**14,721**	**5,487**
Net position as at 31 December 2024	**(9,334)**	**284**

31 December 2023	USD '000 GEL	EUR '000 GEL
Assets		
Reinsurance contract assets held	329	805
Bank deposits	4,088	2,975
Other assets	58	10
Cash and cash equivalents	16	25
Total assets	**4,491**	**3,815**
Liabilities		
Insurance contract liabilities	11,570	3,595
Loans and borrowings	-	1,179
Total liabilities	**11,570**	**4,774**
Net position as at 31 December 2023	**(7,079)**	**(959)**

A reasonably possible strengthening (weakening) of GEL without hedges, as indicated below, against USD and EUR at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss after tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant:

	2024 GEL'000	2023 GEL'000
10% appreciation of USD against GEL	(933)	(708)
10% depreciation of USD against GEL	933	708
10% appreciation of EUR against GEL	28	(96)
10% depreciation of EUR against GEL	(28)	96

(d) Credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 December 2024 GEL'000	31 December 2023 GEL'000
Bank deposits	34,131	28,302
Reinsurance contract assets held	5,179	4,834
Cash and cash equivalents	3,939	2,517
Total credit risk exposure	**43,249**	**35,653**

The cash and cash equivalents and bank deposits are mainly held with Georgian banks with short term issuer default rating of B, based on Fitch Rating. The Company does not expect any counterparty to fail to meet its obligations. All balances are categorized under Stage 1. Estimated credit loss for bank deposits as at 31 December 2024 amounted to GEL 447 thousand (2023: GEL 413 thousand).

Reinsurance contract asset held of GEL 5,179 thousand (31 December 2022: GEL 4,834 thousand) are mainly held with reputable reinsurance companies with short term issuer default rating of BBB, based on Fitch Rating. The Company does not expect any counterparty to fail to meet its obligations. All balances are categorized under Stage 1. Estimated credit loss for reinsurance contract asset held as at 31 December 2024 and 31 December 2023 is immaterial.

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Company. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Company's liquidity positions are reviewed by the management on a daily basis.

All of the Company's financial and insurance contract related assets and liabilities, are due to be recovered or settled during the twelve months after the reporting date.

17. Capital management

(a) Capital management objectives, policies and approach

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

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

It is in the Company's interest to maintain adequate capital resources at all times and to fulfill respective minimum regulatory capital requirements. The Company has traditionally had very good capital resources. Maintaining this good capital base in the future is also important to the company, both to allow to take advantage of profitable growth opportunities and to cushion the effects of large loss events.

As part of the process in monitoring and managing its capital, the company refers to its Investment and Risk Strategy ("IRS"), which is focused on enabling the company to constantly maintain a minimum level of funds, placed in top Georgian banks. Control of the structure of assets is carried out by means of monthly reports to the shareholder, containing the relevant calculations to be verified by Chief Financial Officer of the Company.

(b) Regulatory requirements

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

The Company makes certain adjustments to the IFRS equity in these statements of financial position in order to arrive to the ISSSG prescribed capital.

The Company manages its capital requirements by preventing shortfalls between reported and required capital levels on a regular basis. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or inject further capital.

The Company was in compliance with the externally imposed capital requirements at the end of the reporting period and no changes were made to its objectives, policies and processes from the previous year for managing capital.

On 16 September 2016, ISSSG issued directives №15 and №16 on the determination of the Regulatory Solvency Margin ("RSM") and Regulatory Capital, respectively. The laws also impose the requirements on maintaining minimum Regulatory Capital as opposed to RSM. Considering that financial year 2017 is the transitional period for the implementation of the directives, the adherence requirements to the above are as follows:

- The Regulatory Capital should not be lower of RSM or GEL 4,200 throughout the period from 1 January 2021 to 31 December 2021;
- The Regulatory Capital should not be lower of RSM or GEL 7,200 throughout the period from 31 December 2021.

The Regulatory Capital is determined based on the IFRS equity, adjusted for, for example, investments in subsidiaries and associates, unsecured loans and borrowings, etc. as prescribed by the ISSSG directive №16.

As at 31 December 2024 the Company was in compliance with the level of Regulatory Capital.

18. Contingencies

(a) Litigation

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(b) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are more significant than in other countries with more developed taxation systems. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

19. Related party transactions

(a) Transactions with the members of the Management Board

The remuneration of 3 directors of the Company for the years ended December 31 was as follows:

	2024 ’000 GEL	2023 ’000 GEL
Members of Management Board	1,112	809
Salary related taxes	306	222
Total remuneration	**1,418**	**1,031**

(b) Transactions with other related parties

Transactions with other related parties include transactions with associate and companies related to the parent company of the Company.

The outstanding balances and transactions as at and for the year ended 31 December 2024 and 2023 with other related parties are as follows:

Statement of financial position	31 December 2024 ’000 GEL	31 December 2023 ’000 GEL
Loans and borrowings (parent)	-	(1,179)
Other (Member of the same group)	(114)	(220)

Statement of profit or loss and other comprehensive income	2024 ’000 GEL	2023 ’000 GEL
Interest expense (parent)	(16)	(123)
Other expense (Member of the same group)	(491)	(146)
Rent income (Member of the same group)	163	145

20. Basis of measurement

The financial statements are prepared on the historical cost basis. In addition, the insurance and reinsurance contracts are measured at the estimated fulfilment cash flows that are expected to arise as the Company fulfils its contractual obligations in accordance with IFRS 17.

21. Material accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates determined by National Bank of Georgia at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest, impairment and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss..

(b) Insurance contracts

(i) Classification of contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts that whereby the Company accepts significant insurance risk from another party (the “policyholder”) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the “insured event”) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include medical, property, motor, liability and others. These products offer protection of policyholder’s assets and indemnification of other parties that have suffered damage as a result of a policyholder’s actions.

Financial guarantee contracts are accounted for as insurance contracts. Deposits obtained under financial guarantee contracts are accounted under liability for remaining coverage with no profit or loss impact.

(ii) Level of aggregation

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue). The Company identifies portfolio of insurance and reinsurance contracts based on lines of businesses.

(iii) Recognition and measurement of contracts

The Company recognises insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.

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

- For reinsurance contracts that provide proportionate coverage, at the later of:

  (a) the beginning of the coverage period of the reinsurance contracts and
  (b) the initial recognition of any underlying contract.

The measurement of contracts includes all of the future cash flows within the boundary of each contract.

Insurance Contract

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

a. The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
b. Both of the following criteria are satisfied:

   - The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
   - the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Reinsurance contracts:

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date and, therefore, may change over time.

Measurement

Premium Allocation Approach (PAA), which is a simplified measurement model under IFRS 17, is used to measure portfolio of the Company. PAA approach is used as the coverage period of each contract is one year or less.

Premium Allocation Approach (PAA), which is a simplified measurement model under IFRS 17, is used to measure reinsurance assets held of the Company as they bear same characteristics as insurance contracts.

On initial recognition of each group of insurance contracts that are not onerous, the carrying amount of the liability for remaining coverage ("LRC") is measured at the premiums received on initial recognition less any insurance acquisition cash flows at that date, including any amount arising from the derecognition at that date of any asset recognised for insurance acquisition cash flows paid before that date, plus or minus any other assets or liabilities previously recognised for cash flows related to that group.

For reinsurance contracts held on initial recognition, the company measures the remaining coverage at the amount of ceding premiums paid.

Subsequent measurement under PAA:

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a. the LRC; and
b. the Liability Incurred Claims ("LIC"), comprising the fulfilment cash flows ("FCF") related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

a. the remaining coverage, comprising of the ceding premiums payable and reinsurance commission receivable; and
b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. Fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows, and a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage and subrogation recoveries are included as a reduction to future cash outflows of the estimates of incurred claims liability. The allowance is the amount that can reasonably be recovered from the asset.

Onerous contract assessment:

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in insurance service expense and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows, determined under the general measurement model **(**GMM**)**, that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the estimates of the fulfilment cash flows of future revenues. A loss component will be established for the amount of the loss recognised. Subsequently, the loss component will be remeasured at each reporting date as the difference between the amounts of the fulfilments cash flows determined under the GMM relating to the future service and those relating to the future revenue. The onerous contract assessment is carried out on quarterly basis at cohort level.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage. No loss component was recognized as at 31 December 2023 and 31 December 2022.

(i) De-recognition and contract modification

The Company derecognises a contract when it is extinguished i.e., when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the company treats the changes in cash flows caused by the modification as changes in the estimates of fulfilment cash flows.

(ii) Acquisition & Attributable Cost

Insurance acquisition cash flows are the costs that directly associated with selling and handling acquired contracts. The Company considers expenses for underwriting department, expenses for sales department, and commission expenses as acquisition costs. The Company has in place allocation technique to allocate the costs based on direct to indirect ratios. Both acquisition and attributable costs fall under the insurance service expense while the non-attributable costs are reported under other operating expenses and are not allocated to the groups of contracts.

(iii) Presentation

Insurance revenue:

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period on the bases of the passage of time.

Insurance service expenses:

Insurance service expenses include the following:

a. Incurred claims for the period.
b. other incurred directly attributable expenses.
c. insurance acquisition cash flows.
d. changes that relate to past service – changes in the FCF relating to the LIC.
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Net expenses from reinsurance contracts:

Net expenses from reinsurance contracts comprise reinsurance expenses less amounts recovered from reinsurers. The Company recognises reinsurance expenses as it receives coverage or other services under groups of reinsurance contracts. For contracts measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

(c) Insurance Acquisition Cash Flows

Under IFRS 17, insurance acquisition cash flows (IACFs) for contracts measured using the Premium Allocation Approach (PAA) are recognized as an asset when incurred and amortized over the expected coverage period, unless they are immediately expensed due to the contract being of a short duration.

In 2024, the Company reassessed its approach to identifying acquisition cash flows. In the prior year, both fixed and variable acquisition costs were included in IACFs. However, in the current year, the Company determined that recognizing only variable acquisition costs as IACFs provides a more faithful representation of the directly attributable nature of these expenses. This change enhances consistency with IFRS 17’s requirement that only those acquisition cash flows directly attributable to portfolio-level contract issuance should be deferred.

Had the prior-year approach been applied, the insurance contract liabilities as of December 31, 2024, would have been lower by GEL 1,304 thousand.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(e) Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All financial assets of the company are classified as measured under amortised costs.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

All financial liabilities of the company are classified as measured under amortised costs.

(ii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non -cash assets transferred or liabilities assumed) is recognised in profit or loss.

(f) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net in profit or loss.

(ii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

• Buildings	50 years
• Office and computer equipment	3 – 10 years
• Vehicles	5 – 10 years
• Others	5 – 7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. These include properties with currently undetermined future use. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less any impairment. Land is not depreciated.

The estimated useful life of building for the current and comparative periods is 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

(h) Impairment

(i) Subscribed capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(j) Taxation

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

On 13 May 2016 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law has entered into force in 2016 and is effective for tax periods starting after 1 January 2017 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law will become effective from 1 January 2024.

The new system of corporate income taxation does not imply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholders as a dividend. However some other transactions are also considered as DE, for example non-arm’s length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes. In addition, the tax object includes expenses or other payments not related to the entity’s economic activities, free of charge supply and over-limit representative expenses.

The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

(ii) Deferred tax

Due to the nature of the new taxation system described above, the entities registered in Georgia do not have any differences between the tax bases of assets and liabilities and their carrying amounts and hence, no deferred income tax assets and liabilities arise.

(iii) Interest income and expenses and fee and commission income

Interest income and expense are recognised in profit or loss as they accrue, taking into account the effective interest rate of the asset/liability. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Loan arrangement fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest rate method. Other fee and commission income is recognised when the corresponding service is provided.

22. New Standards and Interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following new and amended standards are not expected to have a significant impact on the Company’s financial statements:

- *IFRS 18 Presentation and Disclosure in Financial Statements.*
- *Lack of Exchangeability (Amendments to IAS 21).*
- *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).*