LLC „Energy Development Georgia “

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

Content

INDEPENDENT AUDITOR’S REPORT

TO THE MANAGEMENT AND SHAREHOLDER OF “ENERGY DEVELOPMENT GEORGIA” LLC

Opinion

We have audited the accompanying financial statements of “Energy Development Georgia” LLC, which comprise the statement of financial position as at 31 December 2023 and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter - financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard (the IFRS Standard).

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' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, 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.

Emphasis of Matter Paragraph

We would like to bring to your attention 13th note of the financial statement, where it is dicused that company is not in compliance with the covenants set by the commercial bank, however the bank has not yet activated or used any sanctions, which are followed in case if mentioned covenants are violated. Our opinion is not modified in this regard.

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Other Information

The Company's Management is responsible for the other information. The other information comprises the information included in the management report for the year ended 31 December 2023.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We have performed certain procedures needed to form a conclusion on the compliance of the Company's management report with article 7 para 6 of law of Georgia on Accounting, Reporting and Auditing and report in this regard is issued through a separate letter dated 1 May, 2024.

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

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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 is responsible for supervision of preparation and presentation of financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

We communicate with Those Charged with Governance of the Company, 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.

LLC „ RSM Georgia “

Ali Murtza

Engagement Partner

1 May 2024

SARAS-A-577214

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LLC „ RSM Georgia "

Ali Murtza

Engagement Partner

RSM Georgia

1 May 2024

SARAS-A-577214

Statement of Financial Position as on 31 December, 2023

	Note	31 December 2023	31 December 2022
Assets			
Non-Current Assets			
Property, Plant and Equipment	6	60,065,049	61,493,419
Right of Use Asset	7	594,846	608,123
Total Non-Current Assets		**60,659,895**	**62,101,542**
Current Assets			
Tax Assets		-	613,526
Trade and Other Receivables	9	1,282,267	715,562
Prepayments	8	550,707	34,304
Inventory	10	438,069	7,039
Cash and Cash Equivalents	11	536,814	91,287
Total Current Assets		**2,807,857**	**1,461,718**
Total Assets		**63,467,752**	**63,563,260**
Equity			
Charter Capital	12	89,691	89,691
Retained Earnings		5,821,117	5,489,623
Total Equity		**5,910,808**	**5,579,314**
Non-Current Liabilities			
Lease Liability	7	571,537	572,070
Borrowings	13	54,674,143	50,817,167
Total Non-Current Liabilities		**55,245,680**	**51,389,237**
Current Liabilities			
Trade and Other Payables	14	123,626	538,157
Lease Liability	7	77,294	77,294
Tax liability		20,993	-
Borrowings	12	2,089,351	5,979,258
Total Current Liabilities		**2,311,264**	**6,594,709**
Total liabilities		**57,556,944**	**57,983,946**
Total Equity and Liabilities		**63,467,752**	**63,563,260**

The Standalone financial statements for the year ended 31 December 2023 were approved on behalf of the management at 1 May, 2024.

Director

Giorgi Shukakidze

Financial Manager

Beka Abutidze

Tbilisi, Georgia

1 May, 2024

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Financial Manager

Beka Abutidze

Tbilisi, Georgia

1 May, 2024

Statement of Profit and Loss and Other Comprehensive income for the year ended 31 December, 2023

	Note	2023	2022
Revenue	15	11,694,309	8,516,439
Cost of Sales	16	(2,745,947)	(2,155,712)
Gross profit		**8,948,362**	**6,360,727**
Administrative Expenses	17	(2,743,419)	(1,141,101)
Interest Expenses	12	(5,209,332)	(4,040,725)
Net profit / loss from foreign exchange trading and revaluation	18	290,521	7,441,819
Other Non-Operating Income/(Expenses), Net	19	43,735	1,190,181
Profit/(loss) before tax		**1,329,867**	**9,810,901**
Income Tax	23	(149,756)	(97,268)
Profit/(loss) for the year		**1,180,111**	**9,713,633**
Other comprehensive income for the year			
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,180,111**	**9,713,633**

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Financial Manager

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Tbilisi, Georgia

1 May, 2024

Statement of changes in Equity for the year ended 31 December, 2023

	Charter Capital	Retained Earnings	Total Equity
Balance as on 1st of January 2022	**89,691**	**(3,700,387)**	**(3,610,696)**
Total Comprehensive Income for the Year	-	9,713,633	9,713,633
Dividends Paid	-	(523,623)	(523,623)
Balance as on 31 December 2022	**89,691**	**5,489,623**	**5,579,314**
Total Comprehensive Income for the Year	-	1,180,111	1,180,111
Dividends Paid	-	(848,617)	(848,617)
Balance as on 31 December 2023	**89,691**	**5,821,117**	**5,910,808**

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Financial Manager

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Tbilisi, Georgia

1 May, 2024

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Total Comprehensive Income for the Year	-	9,713,633	9,713,633
Dividends Paid	-	(523,623)	(523,623)
Balance as on 31 December 2022	**89,691**	**5,489,623**	**5,579,314**
Total Comprehensive Income for the Year	-	1,180,111	1,180,111
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Balance as on 31 December 2023	**89,691**	**5,821,117**	**5,910,808**

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Director

Giorgi Shukakidze

Financial Manager

Beka Abutidze

Tbilisi, Georgia

1 May, 2024

Statement of Cash Flow For the year ended on 31 December, 2023

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year:		1,329,867	9,810,901
Adjustments for:			
Depreciation and amortization	6,7	1,700,033	1,482,854
Net profit / loss from foreign exchange trading and revaluation	18	(290,521)	(7,441,819)
Interest expense	13	5,209,332	4,656,897
Write-off of Property, Plant and Equipment	6	401	132,822
Change in operating assets and liabilities:			
(Increase)/Decrease in trade and other receivables	9	(582,373)	78,161
(Increase)/Decrease in prepayments	8	(516,403)	616,600
(Increase)/Decrease in inventories	10	(431,030)	(5,218)
Increase (decrease) trade and other payables	14	(32,134)	29,777
Decrease (increase) tax assets		634,519	(606,406)
Cash used in operations		**7,021,691**	**8,754,569**
Interest paid	13	(5,116,613)	(3,049,363)
Income tax paid		(149,756)	(97,268)
Net cash generated by (used in) operating activities		**1,755,322**	**5,607,938**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(12,845)	(334,103)
Proceeds from disposals of property, plant and equipment	6	56,001	-
Capital expenditures on property, plant and equipment	6	(301,943)	(9,739,873)
Net cash used in investing activities		**(258,787)**	**(10,073,976)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Received borrowings	13	22,813,856	23,537,372
Paid dividends	12	(848,617)	(523,623)
Paid borrowings	13	(22,952,847)	(18,921,991)
Lease liability payment	7	(77,294)	(88,581)
Net cash generated by (used in) financing activities		**(1,064,902)**	**4,003,177**
Net cash inflow/(outflow) during the year		**431,633**	**(462,861)**
Cash at the beginning of reporting period		91,287	633,624
Net profit / loss from foreign exchange trading and revaluation	18	13,894	(79,476)
Cash at the end of reporting period		**536,814**	**91,287**

The Standalone financial statements for the year ended 31 December 2023 were approved on behalf of the management at 1 May, 2024.

Director	Financial Manager
Giorgi Shukakidze	Beka Abutidze

Tbilisi, Georgia

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Giorgi Shukakidze

Tbilisi, Georgia

1 May, 2024

Financial Manager

Beka Abutidze

1 General Information

LLC "Energy Development Georgia", (hereinafter – as the company), with identification number (404485188), is registered company with the Article 4 of law of Georgia "on entrepreneurs. The legal Address of the company is: Georgia, Tbilisi, Vake, Vazha Pshavela Avenue N70, business center "city tower", 17th floor.

The main activity of the company is to produce electricity and sell in Georgia. In 31 March of 2015, the company signed the memorandum with the Government of Georgia, the purpose of which was to conduct technical and economical research of construction project of hydroelectric power stations. As a result, in 29th of December 2016, the company was granted licence from the Government of Georgia to construct hydroelectric power stations "Sashuala hesi 1" and Sashuala hesi 2", on the lands which were given by the Government of Georgia with the right to use for 49 years. One of the important articles of the agreement is that after 49 years, the lands are given back to the Government of Georgia, including infrastructure built on them. As of 31 December 2021, both hydroelectric power stations were built and entered into exploitation.

In 17th of June 2019, the company signed additional memorandum with Government of Georgia, the purpose of which was to initiate the construction of third hydroelectric power station – "Sashuala Hesi". As of 31 December 2023, the construction of mentioned hydroelectric power station was finished and entered into exploitation.

The main activities of the company are conducted in Georgia, in the municipality of Chokhatauri.

The ownership of the company as of 31 December 2023 and 2022 is presented in below table:

	31December 2023	31December 2022
Mindia Sabanadze	95%	95%
Mikheil Gabisiani	3%	3%
David Khachidze	2%	2%
Total	**100%**	**100%**

As of December 31,2023, and 2022, the number of employees of the company was 39 and 13 people, respectively.

In 5th of September 2022 the company established subsidiary – LLC "Energy Trading group". The main economic activity of the subsidiary is to trade with electricity. During the reporting period subsidiary did not conduct any economic activity. LLC "Energy Development Georgia" owns 55% of the shares in the subsidiary company.

The parent company has not conducted any investments so far in the subsidiary entity.

2 Accounting Principles and Basis of Preparation

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

The measurement basis used is the historical cost basis, except where otherwise stated in the accounting policies below. Historical Cost is based on the real value of considerations in exchange of assets.

The financial statements comprise a statement of profit or loss and other statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognized in the statement of profit or loss. Other comprehensive income is recognized in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognized in the statement of profit or loss, as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognized in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognized in the statement of changes in equity.

The Company presents the profit and loss items using the classification by function of expenses. The Company believes this method provides more useful information to the readers of the special purpose financial statements as it better reflects the way operations are run from a business point of view. The statement of financial position format is based on a current / non-current distinction.

The netting of financial assets and liabilities are conducted and net amounts are presented in the statement of financial position, only then, when there is legal right to net recognized assets and liabilities.

The national currency of Georgia is GEL, which is also the functional currency of the company.

3 Summary of Significant Accounting Policies

Property, Plant and Equipment

On initial recognition, items of property, plant and equipment are recognized at cost. After initial recognition, items of property, plant and equipment are recognized with less than accumulated depreciation and impairment from their cost. The technical and renovation expenses are capitalized. In case if main part or component is replaced the cost of new part is capitalized and the cost of replaced item is removed.

The profit or loss, from the sale or from the derecognition of property, plant and equipment, is determined by the difference between the income from the sale and the net book value of the items, which is further recognized in the statement of profit and loss.

The depreciation is calculated so that the cost of the of property, plant and equipment is decreased to zero over the useful life of the items, which are as follows:

Category of Property, Plant and Equipment	Useful lives
Sashuala Hesi 2	40 years
Sashuala Hesi 1	40 years
Sashuala Hesi	40 years
Vehicles	10 years
Other	10 years
Land and Construction in Progress	Not Depreciated

If there is any indication that the rate of depreciation, the asset's useful life, or the residual value has changed significantly, the depreciation of the asset is adjusted prospectively to reflect the new expectation.

A fixed asset is derecognized when it is sold or written off or when future economic benefits are no longer expected from its operation or sale. Any gain or loss arising from the derecognition of an asset (calculated as the difference between the net proceeds of disposal of the asset and the carrying amount) is recognized in profit or loss for the period in which the asset is derecognized.

Right-of-Use Assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the MFO expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Inventories

Inventories are valued at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The inventories are expensed using “weighted average cost” basis, by warehouse. Cost is determined by the purchase cost plus transport, import taxes and other taxes, and handling costs and other costs which are directly attributable to the purchase of inventory.

Financial Instruments

Initial recognition and measurement. Financial assets and libilities are initially recognized by the transactions price, (The transaction price for financial assets/ liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition / issue of the financial instrument), in case if transaction is recognized as financial operation for the company. Following types of transactions are recognized as financial operations:

- The financing is occurring with interest rate other than market rate;
- If the payment deferred beyond normal business terms;

If the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition.
Subsequent measurement. debt instruments that meet the conditions in paragraph 11.8(b) shall be measured at amortised cost using the effective interest method.
Debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (ie net of impairment—see paragraphs 11.21–11.26) unless the arrangement constitutes, in effect, a financing transaction.

Effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method:

a. the amortised cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate; and
b. the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

Impairment of financial assets measured at cost or amortized cost. At the end of each reporting period, an entity shall assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, the entity shall recognise an impairment loss in profit or loss immediately.

Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the creditor, for economic or legal reasons relating to the debtor’s financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- it has become probable that the debtor will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

Impairment of Trade and Other Receivables

The company has used simplified approach for calculating expected impairment loss, which determines the expected credit loss over the lifetime of trade and other receivables. In order to determine expected credit loss, the trade and other receivables are grouped according to overdue days. The company fully reserves such trade receivables from which contractual cashflows are not expected at all.

Cash and Cash Equivalents

Cash and cash equivalents are items that are freely convertible into cash and the risk of change in value is insignificant. Cash and cash equivalents include cash on hand, cash in transit, cash in bank and deposits, with maturity date of 3 months. Amounts that cannot be withdrawn more than three months after deposit are not classified as cash and cash equivalents.

Prepayments

Advance payments are recorded at the actual cost of payment, less impairment. Prepayments are classified as non-current when the goods or services related to the prepayment are expected to be received after one year, or when the prepayments relate to an asset that would itself be classified as non-current on initial recognition. Advance payments for the acquisition of assets are transferred to the carrying amount of the asset when the company obtains control of the asset or when future economic benefits related to the asset are expected to flow to the company. Other prepayments are charged to profit or loss when the goods or services related to the prepayments are received. If there are indicators that the asset, goods or services related to the prepayments will not be received, the carrying amount of the prepayments is written down accordingly and a corresponding impairment loss is recognized in the profit and loss for the year.

Financial Liabilities

Depending on the purpose, the company classifies its financial obligations in one of the following categories: at fair value through profit or loss and other financial liabilities. The company's financial liabilities are classified as "other financial liabilities". All financial liabilities are initially recognized at fair value, and in the case of loans and payables, net of directly attributable transaction costs. The company's financial liabilities include trade payables and borrowings.

Netting of financial assets and liabilities

The company is netting financial assets and liabilities when the operation is legally enforced and the entity plans to pay the liabilities with net basis or financial assets and liabilities are intended to be paid correlatively.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation is fulfilled or canceled or the validity period ends. When the same lender replaces an existing financial liability with a new one with significantly different terms, or the terms of an existing financial liability change significantly, such exchange or modification is considered to derecognize the original financial liability and recognize a new financial liability. The difference in the respective carrying amounts is recognized in the income statement.

Borrowings

Borrowings are carried at amortized cost using the effective interest method. All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Lease Liabilities

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

Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in profit or loss net of any reimbursement.

Contingent liabilities are not recognized in the financial statements; however, they are disclosed if the probability of cash outflow from the entity is not low. Contingent assets are not recognized in the financial statements; however, they are disclosed if probability of cash inflow in the entity is high.

Owner’s Capital

The authorized capital of the company is determined by the company's charter. Authorized capital is recognized as authorized capital in the amount of contributions made by the owner of the company to the company's own capital.

Dividends

Dividends are recognized when the legal obligation to pay them arises. Dividends are recognized as a liability and equity is reduced by the corresponding amount. Dividends declared after the reporting period before the approval of the financial statements are disclosed in post-balance sheet events.

Recognition of Revenue

In order for the company to recognize revenue 5 mandatory requirements must be completed:

1) Identification of the agreement with customers;
2) Identification of performance obligations;
3) Identification of transaction price;
4) Allocation of transaction price over performance obligations;
5) Recognition of revenue according to the satisfaction of performance obligations;

An entity recognizes revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of the asset.

Revenue from the sale of electricity

The company’s revenue is generated from the production and sale of electricity. The revenue is recognized at point in time, based on the delivered electricity to customers, which is determined by the acceptance act issued by the ESCO – Electricity market operator.

Operating Expenses

Expenses are recognized in the income statement if there is a reduction in future economic profits associated with a reduction in an asset or an increase in a liability that can be reliably estimated.

Expenses are recognized immediately in the income statement if the expenses no longer give rise to future economic profits, or if the future economic profits do not meet or no longer meet the requirements for recognizing the asset in the balance sheet. In carrying out its main operations, the company incurs both operational and other expenses, which are not directly related to the sale of products.

(a) Employee salaries and other benefits – accrued salary, bonuses and non-cash benefits (insurance) is accrued in the same reporting year when the relevant services are provided.

(b) Lease - Rentals payables under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Foreign Currency Transactions

The functional currency of the Company is GEL. Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the company using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognized in profit or loss.

Exchange rates are presented below:

	Official currency rate of the National Bank of Georgia	
	USD	**EUR**
Exchange rate as of 31 December 2023	2.6894	2.9753
Exchange rate as of 31 December 2022	2.7020	2.8844
Average Exchange Rate as of 31 December 2023	2.6287	2.8436
Average Exchange Rate as of 31 December 2022	3.0640	2.9099

Income Tax

The company determines the profit tax in accordance with the tax legislation in force in Georgia. According to the current tax legislation, only the profit distributed among the owners is subject to taxation and the reinvested profit is not subject to profit tax (except for the exceptions provided by Article 981 and Article 309, Parts 99 and 103 of the Tax Code of Georgia). The income tax liability is calculated as 15/85 of the distributed dividend amount.

Based on the specifics of the tax system, companies registered in Georgia no longer have temporary differences between their tax assets/liabilities and their book value, therefore, deferred income tax assets and liabilities no longer arise.

Value Added Tax

Value added tax related to sales must be paid to the tax authorities when the goods and services are delivered to the customer. Input VAT is generally chargeable against output VAT when receiving a VAT invoice. Tax authorities allow VAT to be paid on a net basis. VAT related to purchases and sales is recognized and reflected in the statement of financial position on a net basis. When a provision is made for impairment of receivables, the impairment loss is recognized at the future gross amount, including VAT.

4 New Standards, Interpretations and Amendments

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. The Company has not yet evaluated the impact of these new or amended accounting standards and interpretations.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

IAS 1 submission of financial statements-classification of current and long-term liabilities: this change was issued in January 2020, valid for periods on or after January 1, 2023.

Corrections:

- Creates a new section for the current and long-term classification of the obligations. Settlement refers to the transfer to a counterparty, which leads to the repayment of an obligation, which can be in cash, other economic resources or the unit's own equity instruments;

- Explains that the classification of the obligation is not influenced by the probability that the entity will exercise the right to pay the obligation at least 12 months from the reporting period and instead focuses on the rights to delay payment, which are substantial and exist at the end of the reporting period

- Explains that if the right to delay the settlement is subject to an entity that meets the specified conditions (i.e. agreements), the right exists only if the entity meets these conditions at the end of the reporting period.

IFRS 17 insurance contracts: IFRS 17 - insurance contracts replace IFRS 4-insurance contracts valid from January 2023 or later. The purpose of the standard is to establish principles under IFRS 17.1 regarding the recognition, evaluation, presentation and disclosure of insurance contracts that fall under IFRS 17.

New or amended Accounting Standards or Interpretations that are not yet mandatory:

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the company as of 31 December 2023. The Company has not yet evaluated the impact of these new or amended accounting standards and interpretations.

6. Property, Plant and Equipment

	Lands	Hydroelectric Power Stations	Vehicles	Construction in Progress	Other	Total
Cost as of 1st of January 2022	**62,275**	**49,682,723**	**1,675,628**	**2,884,019**	**140,682**	**54,445,327**
Purchase	-	-	155,035	-	179,068	334,103
Write-off	-	137,039	-	-	-	137,039
Capitalization	-	437,728	-	9,302,145	-	9,739,873
Reclassification	-	(157,932)	-	-	157,932	-
Cost as of 31 December 2022	**62,275**	**49,825,480**	**1,830,663**	**12,186,164**	**477,682**	**64,382,264**
Purchase	-	-	-	-	12,845	12,845
Write-off	-	-	-	-	611	611
Disposal	-	-	82,865	-	-	82,865
Capitalization	-	267,654	34,289	-	-	301,943
Reclassification	-	12,339,238	-	(12,186,164)	(153,074)	-
Cost as of 31 December 2023	**62,275**	**62,432,372**	**1,782,087**	**-**	**336,842**	**64,613,576**
Depreciation as of 1st of January 2022	**-**	**(1,176,724)**	**(227,123)**	**-**	**(39,886)**	**(1,443,733)**
Depreciation Expense	-	(1,308,898)	(116,786)	-	(23,645)	(1,449,329)
Write-off	-	4,217	-	-	-	4,217
Reclassification	-	4,860	-	-	(4,860)	-
Depreciation as of 31 December 2022	**-**	**(2,476,545)**	**(343,909)**	**-**	**(68,391)**	**(2,888,845)**
Depreciation Expense	-	(1,614,839)	(58,217)	-	(13,700)	(1,686,756)
Write-off	-	-	26,864	-	210	27,074
Reclassification	-	-	-	-	-	-
Depreciation as of 31 December 2022	**-**	**(4,091,384)**	**(375,262)**	**-**	**(81,881)**	**(4,548,527)**
Balance as of 1st of January 2022	**62,275**	**48,505,999**	**1,448,505**	**2,884,019**	**100,796**	**53,001,594**
Balance as of 31 December 2022	**62,275**	**47,348,935**	**1,486,754**	**12,186,164**	**409,291**	**61,493,419**
Balance as of 31 December 2022	**62,275**	**58,340,988**	**1,406,825**	**-**	**254,961**	**60,065,049**

As of 31 December 2023, the company has fully amortized items of property, plant and equipment in the amount of 16,532 GEL. For the Information in respect to collateralized items of property, plant and equipment please refer to Note-12. Third hydroelectric power station was launched and entered into exploitation in 6th of July 2023, based on the decree of city hall of municipality of chokatauri.

7. Right of Use Asset

Right of Use Asset	Land
Balance as of 1st of January 2022	**457,790**
Addition	183,858
Depreciation Expense	(33,525)
Balance as of 31 December 2022	**608,123**
Addition	-
Depreciation Expense	(13,277)
Balance as of 31 December 2023	**594,846**

Lease Liability	Total
Balance as of 1st of January 2022	**492,604**
Addition	183,858
Interest Expense	61,483
Payment	(88,581)
Balance as of 31 December 2022	**649,364**
Addition	-
Interest Expense	76,761
Payment	(77,294)
Balance as of 31 December 2023	**648,831**

Between LLC “Energy Development Georgia” and LEPL “National Agency of State Property” the agreement was signed, for the right of use of the lands by the company, for the purposes to construct hydroelectric power stations and produce electricity. The maturity date of the agreements is 49 years.

As of 31 December 2023, and 2022 future payments of lease liability are as follows:

	2023	2022
Before One year	**593**	**533**
Payments	77,294	77,294
Interest Expense	76,701	76,761
From 1 to 5 Years	**4,136**	**3,716**
Payments	386,470	386,470
Interest Expense	382,334	382,754
After 5 Years	**644,102**	**645,115**
Payments	3,087,638	3,087,638
Interest Expense	2,443,536	2,442,523
Net Balance	**648,831**	**649,364**

The rent agreements do not indicate interest rate, therefore the company used statistical information, published by the National Bank of Georgia, in respect to market rates of borrowings. Detailed Information about rent agreements and interest rates is presented in below table:

Agreement Date	Maturity Date	Identifiable Asset	Interest Rate
08.12.2017	49 years	Land	11,4 %
20.11.2018	49 years	Land	11 %
24.09.2018	49 years	Land	10,8 %
17.05.2019	49 years	Land	10,6 %

08.11.2021	49 years	Land	13 %
21.09.2022	49 years	Land	13,7%

8. Prepayments

	31 December 2023	31 December 2022
Prepayments to local suppliers	44,359	-
Prepayments to foreign suppliers	506,348	34,304
Total Prepayments	**550,707**	**34,304**

Prepayments to foreign suppliers includes the advance payments in exchange for delivery of spare parts for hydroelectric power stations.

9. Trade and Other Receivables

	31 December 2023	31 December 2022
Trade Receivables	1,282,267	715,562
Total Trade and Other Receivables	**1,282,267**	**715,562**

Trade receivables represents the balances towards electricity market regulator – (ESCO). The balance is covered fully in January 2024, therefore company decided to not create impairment reserve.

10. Inventory

	31 December 2023	31 December 2022
Spare Parts	387,048	-
Raw Materials	42,186	7,039
Fuel	8,835	-
Total Inventory	**438,069**	**7,039**

During 2023 reporting period, the company has purchased the spare parts for hydro turbine and generators, which is presented as spare parts in the notes to the financial statement.

11. Cash and Cash Equivalents

	31 December 2023	31 December 2022
National currency in resident bank	269,914	79,462
Foreign currency in resident bank	266,900	11,825
Total Cash and Cash Equivalents	**536,814**	**91,287**

Cash and Cash Equivalents denominated in national and foreign currency are placed in current accounts and are not subject to interest accrual.

12. Charter Capital

The charter capital includes cash contributions by the owners in capital of the company. During the reporting period, the company has declared and issued among the shareholders dividend in the amount of 848,617 GEL. (2022 – 523,623 GEL)

13. Borrowings

							31 December 2023		31 December 2022	
	Currency	**Start Date**	**Maturity Date**	**Interest Rate**	**Principal Payment**	**Interest Payment**	**Non-Current portion**	**Current Portion**	**Non-Current portion**	**Current Portion**
Loan 1	USD	3/9/2018	3/9/2030	8.40%	At Maturity	At Maturity	3,657,584	-	3,674,720	-
Loan 2	USD	8/4/2021	8/4/2026	7.00%	At Maturity	At Maturity	1,532,958	-	1,540,140	-
Loan 3	GEL	11/14/2022	11/14/2025	13.60%	At Maturity	At Maturity	45,000	-	25,000	-
Loan 4	USD	11/2/2022	11/2/2027	9.00%	At Maturity	At Maturity	53,788	-	81,060	-
Loan 5	GEL	8/17/2015	1/1/2029	13.50%	At Maturity	At Maturity	1,767,861	-	1,767,861	-
Loan 6	GEL	8/26/2020	8/26/2025	11.80%	At Maturity	At Maturity	70,000	-	70,000	-
Loan 7	USD	4/5/2021	4/5/2024	8.00%	At Maturity	At Maturity	471,452	-	473,661	-
Loan 8	USD	9/5/2018	2/8/2024	10.15%	Monthly	Monthly	1,444,952	326,164	22,204,525	433,979
Loan 9	EUR	9/21/2018	4/7/2035	8.65%	Monthly	Monthly	4,955,515	318,612	5,021,520	323,905
Loan 10	USD	12/28/2021	12/31/2023	10.00%	Monthly	Monthly	-	-	97,670	96,874
Loan 11	EUR	5/6/2022	4/7/2035	8.65%	Monthly	Monthly	8,309,442	696,589	8,438,241	707,386
Loan 12	GEL	8/25/2022	12/28/2035	13.50%	Monthly	Monthly	5,801,783	469,754	5,801,785	469,754
Loan 13	EUR	8/19/2022	7/1/2024	11.19%	Monthly	Monthly	-	-	473,391	545,071
TBC Leasing	EUR	6/30/2021	6/30/2024	12.00%	Monthly	Monthly	-	-	168,928	84,349
Bonds	USD	6/22/2023	6/22/2025	8.50%	At Maturity	Quarterly	22,771,150	-	-	-
Total Principal							**50,881,485**	**1,811,119**	**49,838,502**	**2,661,318**
Interest Payable							3,792,658	278,232	978,665	3,317,940
Total Borrowings							**54,674,143**	**2,089,351**	**50,817,167**	**5,979,258**

The loans from 1 to 7, represents the loans from related parties.

The movement of principal during 2023 reporting period is presented in below Table:

	Principal
As of 31 December, 2022	**52,499,820**
Additions	22,813,856
Payments	(22,952,847)
FX effect	331,775
As of 31 December, 2023	**52,692,604**

The movement of interest during 2023 reporting period is presented in below Table:

	Interest
As of 31 December, 2022	**4,296,605**
Accrual of interest	5,132,571
Payment of interest	(5,116,613)
FX effect	(241,673)
As of 31 December, 2023	**4,070,890**

Withing the scope of the loan agreement signed with TBC Leasing the company has collateralized vehicles with the net book value of 753,260 GEL. (2022 – 811,154 GEL).

Withing the scope of the loan agreement with JSC "TBC Bank", the company has following financial covenants:

- DSCR Ratio shall not be minimum of 1.2%;
- DEBT/EBITDA Ratio – per each year shall not exceed to 6%;

In case if above mentioned covenants will be violated the bank is able to increase interest rate by 1.5%.

As of current reporting period the company is violating DSCR ratio financial covenant, however the bank has not yet implemented any sanctions. In case if in the calculation of DEBT/EBITDA ratio subordinated loans from related parties will be included, the second covenant will be violated.

Withing the scope of the loan agreement with JSC "TBC Bank", the company has collateralized following assets:

- The lands, which are in the ownership of the entity and the lands, which company granted with right of use with net book value of 657,121 GEL. (2022: 670,398 GEL);
- The company's current and future tangible and intangible economic benefit and assets. Including the rights and benefits granted with the agreement signed in 31 of March 2015 between following parties: LLC "Energy Development Georgia" and the Government of Georgia, with the agreement signed in 29th of December 2016 between following parties: LLC "Energy Development Georgia" and the Government of Georgia, JSC "ESCO", JSC "GSE", JSC "UES Sakrusenergo", LLC "EnergoTrans";
- Any right and benefit from the guaranteed sales agreement, which will be signed in future by LLC "Energy Development Georgia";
- The shares of the company's owners: Mindia Sabanadze (ID 01023002458), Mikheil Gabisiani (ID 01003006276) and David Khachidze (ID 01024024429);
- The hydroelectric power stations, which are in the ownership of the company and are presented in the financial statements with net book value of 58,340,988 GEL. (2022 - 47,348,935 GEL)

14. Trade and Other Payables

	31 December 2023	**31 December 2022**
Trade Payables towards suppliers	110,981	523,491
Other Payables	12,645	14,666
Total Trade and Other Payables	**123,626**	**538,157**

15. Revenue

	2023	**2022**
Autumn-winter months	7,722,655	5,925,360
Spring-Summer Months	3,971,654	2,354,074
Other Sales	-	237,005
Total Revenue	**11,694,309**	**8,516,439**

In 30th of September 2022 and 9th of august 2021, the agreements were signed between LLC "Energy Development Georgia" and JSC "ESCO" in respect to guaranteed sales agreement, which indicates that electricity generated during the autumn-winter period must be sold to JSC “ESCO”. The maturity date of the agreement is 10 years. The autumn-winter months are: January, February, March, April, September, October, November and December.

During spring and summer, the company is eligible to sell electricity as in local also in foreign markets.

16. Cost of Sales

	2023	**2022**
Cost of sale of electricity	**2,745,947**	**1,932,774**
Depreciation Expense	1,700,033	1,482,854
Electricity Transmission Commission Expense	464,382	145,673
Payroll Expense	467,294	237,024
Regulation Expense	35,083	16,558
Other Operating Expenses	79,155	50,665
Cost of sale for other sales	**-**	**222,938**
Sold raw materials and inventory	-	222,938
Total Cost of Sales	**2,745,947**	**2,155,712**

17. Administrative Expenses

	2023	**2022**
Service Expenses	668,897	366,884
Payroll Expense	507,510	379,186
Write-off of advance	-	208,371
Fuel Expenses	117,930	8,879
Tax Expense	1,323,951	27,559
Rent Expense	8,521	53,558
Insurance Expense	77,963	52,711
Office Expense	10,725	10,327
Other Expenses	27,922	33,626
Total Administrative Expenses	**2,743,419**	**1,141,101**

Service Expense includes TBC Capital Commission fee in the amount of 221,251 GEL for the issuance of bonds on Georgian Stock Exchange. Due to the reason that amount is not material, company has decided to recognize it as an expense, rather to amortize.

Tax expense in the amount of 1,323,951 GEL includes property tax for 2023 and 2022 reporting periods in the amount of 697,921 GEL and 626,030 GEL, respectively.

18. Net profit/(loss) from foreign exchange trading and revaluation

	2023	**2022**
Profit from foreign exchange trading and revaluation	**396,291**	**7,553 ,097**
Borrowings	-	7,553 ,097
Trade and Other Payables	382,397	-
Cash and Cash Equivalents	13,894	-
Loss from foreign exchange trading and revaluation	**(105,770)**	**(111,278)**
Cash and Cash Equivalents	-	(79,476)
Trade and Other Receivables	(15,668)	(29,750)
Trade and Other Payables	-	(2,052)
Borrowings	(90,102)	-
Net profit/(loss) from foreign exchange trading and revaluation	**290,521**	**7,441,819**

In comparison to prior year net profit/(loss) form foreign exchange trading and revaluation is decreased, due to the reason that between the reporting period of 2023 year the foreign currency, specifically USD, in which the company conducts some operations was not volatile.

19. Other Non-Operating Income/(Expenses), Net

	2023	2022
Other Non-Operating Income	**321,142**	**1,830,432**
Reimburses of damages from flooding	-	1,830,432
Other Non-Operating income	321,142	-
Other Non-Operating Expense	**(277,407)**	**(640,251)**
Conversion commission fee	(127,524)	(418,356)
Write-off of PPE	(401)	(132,822)
Loss from the sale of PPE	(38,696)	-
Charity Expenses	(100,000)	(86,803)
Other Non-Operating expenses	(10,786)	(2,270)
Other Non-Operating Income/(Expenses), Net	**43,735**	**1,190,181**

During current reporting period the company has sold items of property, plant and equipment with net loss of 38,696 GEL, form which 56,001 GEL is net book value of sold items and 17,305 GEL is the transactions price.

Other Non-Operating income includes grant received from EBRD for the purposes to finance bond issuance costs in the amount of 140,505 GEL, income from the sale of scrap materials in the amount of 42,587 GEL, Interest income in the amount of 618 GEL and Write-off of liability in the amount of 137,432 GEL.

Non-operating income in the amount of 1,830,432 GEL, during 2022 reporting period represents the reimburses of the damages from insurance company GPI Holding, due to the flooding occurred in 16th of July 2022.

20. Commitments and Contingencies

Taxes

The taxation system in Georgia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. 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.

As of 31 December 2023, and 31 December 2022 the company doesn't have any contingencies and material commitments.

21. Fair Value of Financial Assets and Liabilities

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities. The Company has determined the fair values of financial assets and liabilities using valuation techniques. The objective of the valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Management believes that the fair values of the Company’s financial assets and liabilities, approximate their carrying amounts.

The approximate carrying amounts of financial assets and liabilities are classified in 3rd level of fair value hierarchy, besides cash and cash equivalents, which are classified in 1st level of fair value hierarchy.

22. Financial Risk Management

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

- Credit risk: the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the Company.

- Liquidity risk: the risk that the Company may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.

- Market risk: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the Company is exposed to following market risk components:

- Interest rate risk
- Currency risk

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

	31 December 2023	**31 December 2022**
Financial Assets		
Cash and Cash Equivalents	536,814	91,287
Trade and Other Receivables	1,282,267	715,562
Tax Assets	-	613,526
Prepayments	550,707	34,304
Total Financial Assets	**2,369,788**	**1,454,679**
Financial Liabilities		
Trade and Other Payables	123,626	538,157
Lease Liability	648,831	649,364
Tax liability	20,993	-
Borrowings	56,763,494	56,796,425
Total Financial Liabilities	**57,556,944**	**57,983,946**

Credit Risk

The credit risk is the risk that customers and counteragents fail to meet their obligations agreement and financial instruments, which will cause financial loss and difficulties for the company. The company is exposed to the risks relevant to it’s operating activities, specifically to trade receivables and cash balances at financial institutions.

Credit risk exposure in respect to cash and cash equivalents is controlled by opening and placing cash in trustworthy financial institutions and by diversifying the mentioned institutions.

Credit risk exposure to trade receivables is controlled by establishing the credit risk policy. Due to the particularity of the company’s economic activity, the due date to meet the obligations designed by the agreement with customers is set to be the end of following month. Therefore, the company is monitoring balances of trade receivables and considers the subsequent period operations in the creation of allowance for doubtful receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial obligations. The company has continuous access to its financial resources, creating monthly budgets and forecasts, by which the cash flow in the company is monitored and controlled. In order to finance the purchase of long-term assets, the company is using only long-term borrowings.

The Company’s exposure to the liquidity risk as at 31 December 2023 is presented below:

	Less than 1 year	1 Year to 5 years	Over 5 years	TOTAL
Cash and Cash Equivalents	536,814	-	-	536,814
Trade and Other Receivables	1,282,267	-	-	1,282,267
Tax Assets	-	-	-	-
Prepayments	550,707	-	-	550,707
Financial Assets	**2,369,788**	**-**	**-**	**2,369,788**
Trade and Other Payables	123,626	-	-	123,626
Lease Liability	77,294	-	571,537	648,831
Tax Liability	20,993			20,993
Borrowings	2,089,351	26,389,300	28,284,843	56,763,494
Financial Liabilities	**2,311,264**	**26,389,300**	**28,856,380**	**57,556,944**
LIQUDITY GAP	**58,524**	**(26,389,300)**	**(28,856,380)**	**(55,187,156)**

The Company’s exposure to the liquidity risk as at 31 December 2022 is presented below:

	Less than 1 year	1 Year to 5 years	Over 5 years	TOTAL
Cash and Cash Equivalents	91,287	-	-	91,287
Trade and Other Receivables	715,562	-	-	715,562
Tax Assets, Net	613,526	-	-	613,526
Prepayments	34,304	-	-	34,304
Financial Assets	**1,454,679**	**-**	**-**	**1,454,679**
Trade and Other Payables	538,157	-	-	538,157
Lease Liability	77,294	-	572,070	649,364
Borrowings	5,979,258	25,215,435	25,601,732	56,796,425
Financial Liabilities	**6,594,709**	**25,215,435**	**26,173,802**	**57,983,946**
LIQUDITY GAP	**(5,140,030)**	**(25,215,435)**	**(26,173,802)**	**(56,529,267)**

For the management of liquidity risk the company is using its own financial assets, such as cash and cash equivalents and trade receivables. The company’s negative liquidity position in long-term is caused due to the borrowings, which maturity date is more than 1 year. Starting from 2021 year the company is generating profit, therefore the management believes that future periods which also be profitable, which will guarantee the company to meet its obligations.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the value of its holdings of financial instruments. The market prices include 2 type of risks: Interest Risk and Foreign Currency Risk. The financial instruments on which these risk influences are borrowings and cash and cash equivalents at bank.

Foreign Currency Risk

Foreign currency risk is the risk that volatility of the currency, in which the company has its financial assets and obligations, may negatively affect the financial performance of the company. The company is conducting operations in foreign currency; however, the entity is not using derivatives to control the foreign currency risk effect.

The company's exposure to foreign currency risk for 2023 and 2022 reporting periods is as follows:

	USD	
Financial Assets in foreign currency	**31 December 2023**	**31 December 2022**
Cash and Cash Equivalents	266,900	9,870
Financial Liabilities in foreign currency	**31 December 2023**	**31 December 2022**
Borrowings	32,471,918	31,209,092
Net Position	**(32,205,018)**	**(31,199,222)**

	EUR	
Financial Assets in foreign currency	**31 December 2023**	**31 December 2022**
Cash and Cash Equivalents	-	1,955
Financial Liabilities in foreign currency	**31 December 2023**	**31 December 2022**
Borrowings	14,487,964	16,005,392
Net Position	**(14,487,964)**	**(16,003,437)**

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	31 December 2023	**31 December 2022**
USD strengthening by 10%	(6,441,004)	(6,239,844)
USD weakening by 10%	6,441,004	6,239,844
EUR strengthening by 10%	(2,897,593)	(3,200,687)
EUR weakening by 10%	2,897,593	3,200,687

Interest Rate Risk

The company has borrowings in foreign currency, in fixed rates, therefore, aside from foreign currency risk, the company is not exposed to interest rate risk. The company manages interest rate risk by increasing the shares of borrowings with fixed rates and by developing the means to attract financial resources with other sources of financing.

The sensitivity of interest rate risk

The company's borrowings as of 31 December 2023 reporting period consist of loans with fixed interest rates, however for the loans 8,9 and 11, as mentioned in note 13, arises following circumstances:

1) For the loan 8, according to the new amendments, from 13th March of 2024, interest rates will be determined by adding annual fixed rate of 6.5%, the 6 month "SOFR" ratio;
2) For the loans 9 and 11, according to the new amendments, from 13th March of 2024, interest rates will be determined by adding annual fixed rate of 7% and 7.25%, the 6 month "Euribor" ratio;

23. Income Tax

On 13 May 2016 the Parliament of Georgia approved significant changes in Georgian Tax code related to the bill on corporate income tax reform (also known as the Estonian Model of Corporate Taxation) which mainly moves the moment of taxation from the moment when taxable profit is earned to the moment when they are distributed. The law is effective from tax periods starting after 1 January 2017. Considering that the change in the Georgian Tax Code was enacted before the reporting date, deferred tax assets and liabilities will not be recognized after the law is valid. Contingent income tax liability that is generated through profit distribution will not be recognized in statement of financial position. The income tax liability is calculated as 15/85 of the distributed dividend amount.

In 2016 The parliament of Georgia Approved other changes in Georgian Tax code related to VAT. According to the decision the amount of money received from the buyer in advance, should be subject of VAT. The law is effective from tax periods starting after 1 January 2017.

During current and prior reporting years the company has distributed dividends and paid income tax, which amounted 149,756 and 97,268 GEL, respectively.

24. Related Party Transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The transactions and balances with related parties during current and prior reporting period is presented as follows:

Transactions:	**2023**	**2022**
Other Related Parties:		
Interest Expense	700,303	760,153

Balances:	**31 December 2023**	**31 December 2022**
Other Related Parties:		
Borrowings	11,391,301	11,929,047

	2023	**2022**
KEY MANAGEMENT COMPENSATION	158,156	111,704

25. Events After the end of the reporting period

After the end of the reporting period, before the issuance of financial statements, the company has declared to issue dividends in the amount of 500,000 USD.

No other significant events that would need to be disclosed in the financial statements of the company have taken place.