TEGETA MOTORS LLC

Separate financial statements

For the year ended 31 December 2022
Together with independent auditor's report

TEGETA MOTORS LLC

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management is responsible for the preparation of the separate financial statements that present fairly the financial position of Tegeta Motors LLC ("the Company") as of 31 December 2022 and the results of its operations, changes in equity and cash flows for the year ended 31 December 2022, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the separate financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's separate financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the separate financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with Georgian legislation and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

The separate financial statements and of the Company for the year ended 31 December 2022 were approved by management on 2 October 2023.

On behalf of Management:

Vakhtang Kacharava Executive Director	Maka Guruli Chief Accountant

TEGETA MOTORS LLC

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On behalf of Management:

Vakhtang Kacharava	Maka Guruli
Executive Director	Chief Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of Tegeta Motors LLC

Opinion

We have audited the separate financial statements of Tegeta Motors LLC ("the Company"), which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the* Separate *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) (the "IESBA Code") and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw your attention to Note 2 to the separate financial statements, which describes that the Company also prepares the consolidated financial statements of Tegeta Motors LLC and its subsidiaries (hereinafter referred to as the "Group"). The separate financial statements should be read in conjunction with the consolidated financial statements, which were approved by management and authorized for issue on 28 September 2023. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Investments in subsidiaries As disclosed in Note 1, during 2022 the Company acquired new subsidiaries resulting in significant increase in the carrying amount of investments in subsidiaries recorded in the separate statement of financial position in the amount of GEL 91,775 thousand. Out of this, GEL 84,663 is attributable to the newly acquired subsidiaries. We identified the impairment review as an area of audit focus as the impairment assessment was complex and judgmental. Value in use calculations require management to make an estimate of the amount and timing of the expected future cash flows based on assumptions affected by future market and economic conditions. Judgement is also applied in determining the appropriate discount rate to calculate the present value of those cash flows. Investments in subsidiaries is a key audit matter in the audit due to the substantial effect on total assets and due to judgements, estimates and assumptions used in determining recoverable amounts. Refer to Note 1 and 5 for further disclosures.	We have gained understanding of the management process related to investments in subsidiaries and determination of recoverable amount. We reviewed the underlying documentation, terms and conditions of these transactions, and assessed the accounting treatment of the investments recognized. We assessed the reasonableness of key assumptions, focusing on forecasted revenue, profit margins and long-term growth rate, taking into consideration the current and expected future economic conditions affecting the respective subsidiaries. We involved our internal valuation specialists to assist us in obtaining an understanding of management's analysis and in assessing the reasonableness of the model of discounted cash flows, the discount rate used, and the growth rate applied. We evaluated the work of the management' experts, including their competence and objectivity, with respect to the value in use calculations.

Other Information

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

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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Other Matter

The separate financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 1 August 2022.

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

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

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

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 separate financial statements, including the disclosures, and whether the separate 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Shota Nanitashvili (Reg# SARAS-A-957146)
on behalf of Deloitte and Touche LLC (Reg# SARAS-F-107265)

2 October 2023
Tbilisi, Georgia

Deloitte.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Shota Nanitashvili (Reg# SARAS-A-957146)
on behalf of Deloitte and Touche LLC (Reg# SARAS-F-107265)

Deloitte & Touche

2 October 2023
Tbilisi, Georgia

(Amounts in thousands of Georgian Lari)

	Note	31 December 2022	31 December 2021
ASSETS			
Non–current assets			
Property, plant and equipment	7	142,084	104,389
Intangible assets	8	7,163	6,091
Right–of–use assets	9	24,501	23,544
Prepayments for fixed assets		7,903	2,267
Warranty-related assets		74	74
Investments in subsidiaries	1	91,775	3,930
Investments in associates		206	206
Total non–current assets		**273,706**	**140,501**
Current assets			
Warranty-related asset		680	680
Inventories	10	17,382	7,043
Trade and other receivables	12	95,681	88,813
Prepayments to suppliers		11,290	3,314
Prepaid income tax		1,570	1,804
Loans issued	11	49,106	35,537
Cash and bank balances	13	67,556	6,175
Total current assets		**243,265**	**143,366**
TOTAL ASSETS		**516,971**	**283,867**
EQUITY			
Charter capital		44,733	44,733
Other reserves		(28,350)	(36,114)
Retained earnings	23	51,972	54,994
TOTAL EQUITY		**68,355**	**63,613**
LIABILITIES			
Non–current liabilities			
Borrowings	14	166,368	48,937
Lease liabilities	9	20,234	21,857
Warranty provision		74	74
Other financial liabilities	24	28,571	34,532
Contract liabilities	16	4,036	6,435
Total non–current liabilities		**219,283**	**111,835**
Current liabilities			
Borrowings	14	85,387	69,948
Lease liabilities	9	5,154	4,312
Trade and other payables	15	78,763	25,097
Warranty provision		680	680
Financial guarantee contracts	24	910	685
Other financial liabilities	24	1,409	1,559
Tax payables, other than income tax		1,852	3,108
Contract liabilities	16	55,178	3,030
Total current liabilities		**229,333**	**108,419**
TOTAL LIABILITIES		**448,616**	**220,254**
TOTAL EQUITY AND LIABILITIES		**516,971**	**283,867**

Approved for issue and signed on 2 October 2023

Vakhtang Kacharava
Executive Director

Maka Guruli
Chief Accountant

(Amounts in thousands of Georgian Lari)

	Note	2022	2021
Revenue from contract with customers	16	63,183	231,377
Cost of sales	17	(64,742)	(195,705)
Gross profit		**(1,559)**	**35,672**
General and administrative expenses	18	(64,425)	(47,018)
Selling and distribution expenses		(3,303)	(3,990)
Other operating income	19	111,799	43,961
Other operating expenses	20	(1,286)	(5,098)
Operating profit		**41,226**	**23,527**
Finance income		6,557	4,449
Finance costs	21	(35,773)	(26,065)
Profit before income tax		**12,010**	**1,911**
Income tax expense	22	(32)	(341)
Profit for the year		**11,978**	**1,570**
Other comprehensive income		–	–
Total comprehensive income		**11,978**	**1,570**

Approved for issue and signed on 2 October 2023

Vakhtang Kacharava
Executive Director

Maka Guruli
Chief Accountant

(Amounts in thousands of Georgian Lari)

	Charter capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2021	**44,733**	**–**	**63,535**	**108,268**
Profit for the year	–	–	1,570	**1,570**
Total comprehensive income for the year	**–**	**–**	**1,570**	**1,570**
Dividends declared (Note 23)	–	–	(10,111)	**(10,111)**
Other capital distributions (Note 23)	–	(36,114)	–	**(36,114)**
Balance at 31 December 2021	**44,733**	**(36,114)**	**54,994**	**63,613**
Profit for the year	–	–	11,978	**11,978**
Total comprehensive income for the year	**–**	**–**	**11,978**	**11,978**
Dividends declared (Note 23)	–	–	(15,000)	**(15,000)**
Other capital distributions (Note 23)	–	7,764	–	**7,764**
Balance at 31 December 2022	**44,733**	**(28,350)**	**51,972**	**68,355**

Approved for issue and signed on 2 October 2023

Vakhtang Kacharava
Executive Director

Maka Guruli
Chief Accountant

(Amounts in thousands of Georgian Lari)

	Note	2022	2021
Cash flows from operating activities			
Profit before income tax		12,010	1,911
Adjustments for:			
Depreciation of property, plant and equipment and right–of–use assets	7,8	12,537	10,567
Amortization of intangible assets	8	1,023	943
Gain from remeasurement of financial guarantee		(467)	(130)
(Recovery of)/Allowance for expected credit losses for trade and other receivables	12	(3,177)	4,220
Allowance for expected credit losses for issued loans	11	174	206
Loss/(Gain) on disposal of property, plant and equipment	19	73	(311)
Rent concession income and income from rent termination	8,19	(47)	(36)
Interest income		(6,090)	(4,319)
Interest expense		31,986	18,569
Foreign exchange losses		3,473	7,190
Write–down of inventories to net realizable value	10, 20	75	202
Dividend income	1, 19	(56,795)	(43)
Operating cash flows before working capital changes		**(5,225)**	**38,969**
Changes in trade and other receivables		42,838	4,791
Changes in prepayments to suppliers		(7,976)	21,564
Changes in inventories		(10,414)	16,333
Changes in trade and other payables		25,304	(3,931)
Changes in tax assets		–	116
Changes in warranty provision		–	185
Changes in warranty-related asset		–	(185)
Changes in contract liabilities		49,749	(29,058)
Changes in tax payables		(276)	3,108
Changes in working capital		**99,225**	**12,923**
Income tax paid		(778)	(933)
Net cash from operating activities		**93,222**	**50,959**
Cash flows from investing activities			
Purchase of property, plant and equipment		(48,608)	(20,549)
Proceeds from sale of property, plant and equipment		2,465	2,078
Acquisition of intangible assets		(2,095)	(1,633)
Cash contribution into the capital of subsidiaries and associates		–	(5)
Acquisition of subsidiaries		(62,452)	–
Loans issued	11	(86,569)	(88,129)
Repayment of loans issued	11	64,050	76,633
Interest received		6,753	2,532
Dividends received		4,123	1,696
Net cash used in investing activities		**(122,333)**	**(27,377)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	8	(5,069)	(4,149)
Repayment of interest on lease liabilities	8	(2,346)	(2,107)
Proceeds from borrowings	14	369,497	284,199
Repayment of borrowings	14	(234,873)	(279,349)
Interest paid	14	(23,467)	(16,917)
Dividends paid	23	(10,450)	(10,111)
Release of cash on restricted account		265	–
Placement of cash on restricted account	13	(65,232)	(265)
Net cash from/(used in) financing activities		**28,325**	**(28,699)**
Effect of exchange rate changes on cash and bank balances		(2,800)	(869)
Net decrease in cash and cash equivalents		**(3,586)**	**(5,986)**
Cash and cash equivalents at the beginning of the year		5,910	11,896
Cash and cash equivalents at the end of the year	13	**2,324**	**5,910**

Non–cash transactions are presented in Note 28.

Approved for issue and signed on 2 October 2023

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Maka Guruli
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	Charter capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2021	**44,733**	**–**	**63,535**	**108,268**
Profit for the year	–	–	1,570	**1,570**
Total comprehensive income for the year	**–**	**–**	**1,570**	**1,570**
Dividends declared (Note 23)	–	–	(10,111)	**(10,111)**
Other capital distributions (Note 23)	–	(36,114)	–	**(36,114)**
Balance at 31 December 2021	**44,733**	**(36,114)**	**54,994**	**63,613**
Profit for the year	–	–	11,978	**11,978**
Total comprehensive income for the year	–	–	**11,978**	**11,978**
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Net cash used in investing activities		**(122,333)**	**(27,377)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	8	(5,069)	(4,149)
Repayment of interest on lease liabilities	8	(2,346)	(2,107)
Proceeds from borrowings	14	369,497	284,199
Repayment of borrowings	14	(234,873)	(279,349)
Interest paid	14	(23,467)	(16,917)
Dividends paid	23	(10,450)	(10,111)
Release of cash on restricted account		265	–
Placement of cash on restricted account	13	(65,232)	(265)
Net cash from/(used in) financing activities		**28,325**	**(28,699)**
Effect of exchange rate changes on cash and bank balances		(2,800)	(869)
Net decrease in cash and cash equivalents		**(3,586)**	**(5,986)**
Cash and cash equivalents at the beginning of the year		5,910	11,896
Cash and cash equivalents at the end of the year	13	**2,324**	**5,910**

Non–cash transactions are presented in Note 28.

Approved for issue and signed on 2 October 2023

Vakhtang Kacharava
Executive Director

Maka Guruli
Chief Accountant

(Amounts in thousands of Georgian Lari)

1. Tegeta Motors LLC

Tegeta Motors LLC (the "Company"), identification number 202177205, was incorporated on 26 April 2001 and is domiciled in Georgia. The Company has been set up as a limited liability company in accordance with Georgian law. The Company's registered address is David Agmashenebeli Alley #129, 0131, Tbilisi, Georgia.

Shareholder structure of the Company is:

Shareholders	2022	2021
TGM Group LLC	98.78%	98.78%
Temur Kokhodze, (citizen of Georgia)	1.22%	1.22%

The ultimate controlling party of the Company as of 31 December 2022 and 2021 is Mr. Temur Kokhodze, citizen of Georgia (the "Ultimate Controlling Party").

The Company's principal business activity is trading with imported cars, specialized vehicles, auto tires, lubricants, batteries and other spare parts, as well as providing the automotive maintenance and repair services through servicing facilities located in different regions of Georgia and neighboring countries.

The Company is a parent company of a number of subsidiaries (together – "the Group"). In 2020, the Group initiated an agile transformation process in order to increase the effectiveness of its management and operations. As a result, the operations of the Group have been partially reallocated from the Company to its subsidiaries. In 2021, the transformation process was completed. As a result, the operations of the Company have been mostly reallocated from the Company to its subsidiaries.

The Company is a parent company to the following entities (together referred to as the "Group"):

		Shareholding/voting (%)		Investment in subsidiaries	
Subsidiary	**Activity**	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Direct subsidiaries					
Tegeta Truck and Bus LLC	Retail and service of transportation trucks, buses and trailers	100%	100%	298	117
Tegeta Construction Equipment LLC	Retail and service of heavy duty construction vehicles	100%	100%	0.2	0.2
Tegeta Premium Vehicles LLC	Retail and service of Porsche and Mazda brand vehicles	100%	100%	3,137	3,055
Toyota Centre Tegeta LLC	Retail and service of Toyota brand vehicles	100%	100%	337	337
Scandinavian Auto Tegeta LLC	Retail and service of Volvo brand vehicles	100%	100%	5.2	5.2
Tegeta Automotive Imports LLC	Importer of tires, lubes, LV spare parts, batteries, garage equipment, etc	100%	100%	198	198
Tegeta Prime Products LLC	Importer of tires and lubricants	100%	100%	74	74
Tegeta Distribution LLC	Wholesale of imported brands and products	100%	100%	108	5
Tegeta Industry LLC	Retail of construction equipment and spare parts	100%	100%	5	5
TBA Tegeta LLC	Retail and service of Toyota brand vehicles	100%	100%	6	6
Tegeta Retail LLC	Retailer of imported products	100%	100%	5	5
Tegeta Leasing LLC	Leasing of heavy duty construction vehicles	100%	100%	11	11
Tegeta Academy LLC	Automotive direction training center	100%	100%	30	30
Construction Machinery Georgia LLC	Retail and service of heavy duty construction vehicles	100%	100%	–	–
Tegeta Commercial Vehicles LLC	Retail and service of heavy duty construction vehicles	100%	100%	–	–
Tegeta Tires Imports	Importer of tires	100%	–	298	–
Auto Gallery LLC	Retail and rent of light vehicles	90%	–	30,677	–
Tegeta car rent (100% subsidiary of Auto gallery)	Rent of cars	100%	–	-	–
IAA Tegeta LLC (100% subsidiary of Auto Gallery)	Inactive	51%	–	–	–
Segrex Auto Gallery LLC (100% subsidiary of Auto Gallery)	Inactive	50%	–	–	–
Interauto Trading LLC	Retail and service of heavy-duty construction vehicles	100%	–	12,000	–
Tegeta Rentals LLC (100% subsidiary of Interauto Trading)	Rent of construction equipment	100%	–	–	–
Caucasus Automotive	Retail and service of Volvo brand vehicles	100%	–	42,063	–
Tegeta Approved	Retail of used cars	65%	–	2,070	–
Aztech Tegeta Motors LLC (75% of subsidiary of Tegeta Motors Baku)	Retail of spare parts	75%	–	–	–
Tegeta Real Estate LLC	Inactive	100%	–	–	–
Tegeta Capital LLC	Inactive	100%	100%	365	–
Tegeta Logistics LLC	Logistic services	100%	100%	79	74
Geoprotector LLC	Inactive	60%	60%	–	–
Tegeta Motors Central Asia LLC	Inactive	100%	100%	8	6.9

(Amounts in thousands of Georgian Lari)

1. Tegeta Motors LLC (continued)

Tegeta Motors Baku LLC	Inactive	100%	100%	–	–
Tegeta Motors Ukraine LLC	Inactive	100%	100%	–	–
Tegeta Motors Kazakhstan LLC	Inactive	100%	–	–	–
Agroservice LLC	Inactive	100%	100%	0.2	0.2
				91,775	**3,930**

All subsidiaries are incorporated and domiciled in Georgia, except for Tegeta Motors Baku, Tegeta Motors Central Asia and Tegeta Motors Ukraine, which are under Azerbaijan's, Uzbekistan and Ukrainian jurisdictions, respectively.

2. Summary of significant accounting policies

(a) Basis of preparation

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

The Company also prepared and issued the consolidated financial statements for the respective period. In addition to issuing consolidated financial statements, the Company has elected, as permitted under IAS 27 "Consolidated and Separate Financial Statements" and local law, to present standalone financial statements. These separate financial statements are presented for the purpose of assessing the Company's separate financial position and the financial results and as a result do not include the consolidation of the Company's subsidiaries and associates.

The separate financial statement have been prepared on a historical cost basis, except for financial assets and financial liabilities that are measured at fair value at initial recognition. The separate financial statements are presented in Georgian Lari (GEL) and all values are rounded to the nearest thousand, except when otherwise indicated.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, except for application of new and amended standards discussed in Note 4 below.

(i) Investment in subsidiaries and associates in the separate financial statements of the Company

The Company accounts for the investments in subsidiaries and associates at cost, which is the consideration paid or payable until the investment is derecognised or impaired for its separate financial statements.

The Company recognises a dividend from a subsidiary and associate in its separate statement of profit or loss and other comprehensive income, when the right to receive the dividend is established.

An investment in subsidiary is assessed for impairment in accordance with the policy described in Note 2 (l).

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(b) Revenue from contracts with customers

Revenue from sale of goods and rendered services

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally when the goods are handed over to the customers. The normal credit terms are 30 to 90 days upon transfer of the goods. Revenue is recorded at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised goods before transferring them to the customer. The Company has generally concluded that it is the principal in its revenue arrangements.

Revenue from rendered services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company.

The Company considers whether there are other promises in the contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated. (e.g. warranties). In determining transaction price for the sale of goods and rendering services the Company considers effects of variable consideration.

2. Summary of significant accounting policies (continued)

(c) Revenue from contracts with customers (continued)

(i) Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer included under inventories in the separate financial statements.

(ii) Warranty obligations

The Company typically provides warranties for general repairs of defects or replacement of defected item(s) that existed at the time of sale, to provide assurance that the sold products comply with agreed–upon quality. These assurance type warranties are accounted for as warranty provisions. Refer to the accounting policy on warranty provisions in section (p) Provisions.

The Company provides a warranty beyond fixing defects that existed at the time of sale. These service–type warranties are sold either separately or bundled together with the sold goods. Contracts for bundled sales of products and service–type warranty comprise two performance obligations because the goods and service–type warranty are both sold on a stand–alone basis and are distinct within the context of the contract. Using the relative stand–alone selling price method, a portion of the transaction price is allocated to the service–type warranty and recognised as a contract liability. Revenue for service–type warranties is recognised over the period in which the service is provided based on the time elapsed.

(iii) Bundle sale of spare parts and parts replacement services

The Company provides services in replacing the spare parts bought at its own retail shops or repair services. These services are sometimes sold separately to customers or bundled together with the sale of spare parts.

Contracts for bundled sales of rendered services are comprised of two performance obligations because the promises to transfer sold goods and render services are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative standalone selling prices of the goods and rendered services. The Company recognises revenue from rendering services and sale of goods at a point in time in accordance with respective standalone price.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Company does not have contract assets as of 31 December 2022 and 2021.

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received or the payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs obligations under the contract.

(d) Finance income and costs

The Company's finance income include:
- Interest income;
- The foreign currency gain on financial assets and financial liabilities;
- Income from financial guarantee unwinding;
- Other finance income.

The Company's finance costs include:
- Interest expense;
- Interest expenses on lease liabilities;
- Interest expenses in other financial payables;
- The foreign currency loss on financial assets and financial liabilities;
- Other finance costs.

2. Summary of significant accounting policies (continued)

(d) Finance income and costs (continued)

Interest income or expense is recognized using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(e) Tax

Current income tax

The annual profit earned by entities other than banks, insurance companies and microfinance organizations is not taxed in Georgia starting from 1 January 2017. Corporate income tax on distributed earnings is levied on profit distributed as dividends to the shareholders that are individuals or non–residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia. Withholding tax payable in respect of dividend distribution to the shareholders of the Company is recognized as deduction from equity in the statement of changes in equity.

Georgian tax legislation also provides for charging corporate income tax on certain transactions that are considered as profit distributions (for example, transactions at non–market prices, non–business related expenses or supply of goods and services free of charge). Taxation of such transactions is accounted similar to operating taxes and is reported as Taxes, other than income tax within general and administrative expenses in profit and loss.

Value added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of taxes payable, other than income tax or prepaid taxes, other than income tax, that are presented on net basis in the separate statement of financial position.

Net presentation of tax assets and liabilities

Starting from 1 January 2016 changes were introduced in Georgian legislation on the rules of tax settlement. Based on new rules, Revenue Service of Georgia monitors taxpayers' net indebtedness towards to the State by introducing a consolidated accounts of taxpayer. Therefore, the Company presents assets and liabilities related to all taxes payables or receivables by each entity on a net basis.

(f) Current versus non–current classification

The Company presents assets and liabilities in statement of financial position based on current/non–current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or bank balances unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non–current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non–current.

2. Summary of significant accounting policies (continued)

(g) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of spare parts and other inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of vehicles is determined on the specific identification basis.

(h) Foreign currency

The separate financial statements are presented in GEL, which is also the parent Company's functional currency. The items included in the separate financial statements are measured using that functional currency.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Company's at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non–monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. 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.

In determining the spot exchange rate to use on initial recognition of the related assets, expense or income (or part of it) on the derecognition of a non–monetary asset or non–monetary asset or non–monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non–monetary asset or non–monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

(i) Property, plant and equipment

Recognition and measurement

Property, plant and equipment stated at cost, net of accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self–constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Construction in progress is stated at cost, net of accumulated impairment losses, if any.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and depreciated separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and is 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, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

2. Summary of significant accounting policies (continued)

(i) Property, plant and equipment (continued)

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

- Buildings 37–50 years;
- Machinery and equipment 1–10 years;
- Office fixtures, vehicles and others 1–10 years.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

The Company's intangible assets have finite useful lives.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the profit or loss as the expense category that is consistent with the function of the intangible assets. The intangible assets of the Company have useful lives from 1 to 15 years.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

(k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Company determines the classification of its financial assets at initial recognition.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from contracts with customers.*

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is most relevant to the Company.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables and loans issued.

Impairment of financial assets

Further disclosures related to impairment of financial assets are also provided in the following notes:

- Critical accounting judgments, estimates and assumptions – Note 5;
- Trade and other receivables – Note 12;
- Loans issued – Note 11;

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward–looking factors specific to the debtors and the economic environment.

For funds held in credit institutions (cash and bank balances, bank deposits), the Company calculated ECLs based on the 12–month ECL. The 12–month ECL is the portion of lifetime ECLs that results from default events on financial instruments that are possible within 12 month after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company assessed that the ECL for funds held in credit institutions is negligible.

2. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

For loans and financial guarantees issued, the credit exposure is considered to experience significant increase in credit risk or to be in default following significant deterioration of the credit quality, which is determined as a deterioration of the counterparties credit rating by two positions from initial recognition, or establishment of the credit rating at a level of Ca or below. The Company's issued loans and guarantees are all to entities under common control, therefore their repayments may not always follow the agreed schedule and they may be subject to multiple contract prolongations and restructurings. Therefore, the Company does not consider overdue days as a trigger for significant increase in credit risk or credit impairment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's separate statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(ii) Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, accounts payable, financial guarantee contracts, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities, except of other financial liabilities, are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities as at 31 December 2022 and 2021 include trade and other payables, other financial liabilities, financial guarantee contracts, borrowings and lease liabilities.

Other financial liabilities

The Company has entered into certain financial guarantee contracts securing the loans of TGM Group LLC (parent entity of the Company) towards a Georgian commercial bank. As the main source of income of the TGM Group LLC are dividends declared by the Company, the liabilities under these guarantee contracts were initially recognized, in correspondence with equity accounts at a best estimate of expected cash outflows associated with these contracts, adjusted for the time value of money. Subsequently, remeasurement of these liabilities is recognized in profit or loss, unless it relates to reduction through discharge of the underlying guaranteed liability by the primary obligors, in which case such reduction is recognized directly in separate statement of changes in equity.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is category most relevant to the Company. After initial recognition, borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as though the EIR amortized process.

2. Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to borrowings.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Those financial guarantee contracts, which are integral part of the related loan agreements, are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of expected credit losses at the reporting date measured under IFRS 9 requirements, and the amount recognised initially less cumulative amortization.

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Separate statement of profit or loss and other comprehensive income .

(iii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(l) Impairment of non–financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash–generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared the Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of four years. For longer periods, a long–term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

(m) Fair value measurement

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

2. Summary of significant accounting policies (continued)

(m) Fair value measurement (continued)

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

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(n) Charter capital

The amount of the Company's charter capital is defined by the Company's charter. The changes in the Company's charter shall be made only based on the decision of the Company's owners. The charter capital is recognized by the Company to the extent that it was contributed by the owners to the Company.

(o) Cash and bank balances

Cash and bank balances in the separate statement of financial position comprise cash at banks and on hand and short–term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Bank balances for which use by the Company is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 13. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

For the purpose of the statement of cash flows, cash and bank balances consist of cash and bank balances as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(p) Provisions

General provisions

Provisions are recognised 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre–tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions and related asset

The Company provides warranties for general repairs and replacement of defected item(s) and for replacement of products with non–conformity with manufacturer's specifications. Provisions related to these assurance–type warranties are recognized when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty–related costs is revised annually.

2. Summary of significant accounting policies (continued)

(p) Provisions (continued)

The Company separately recognizes the warranty related asset to record its right for the warranty reimbursement from the manufacturer, when the reimbursement is virtually certain.

(q) Leases

Determining whether an arrangement contains a lease

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

Company as a lessee

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

The Company leases various offices, warehouses, land, retail stores, and vehicles. Rental contracts are typically made for fixed periods from 6 months to 14 years.

(i) Right–of–use assets

The Company recognizes right–of–use assets at the commencement date of the lease. The right–of–use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of lease liabilities. The cost of right–of–use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right–of–use assets are depreciated on a straight–line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 1 to 14 years;
- Vehicles 3 to 5 years.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right of use assets are subject to impairment. Refer to the accounting policies in section (l) impairment of non–financial assets.

(ii) Lease liabilities

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

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Both, the right–of–use assets as well as lease liabilities have been presented as a separate line items in the separate statement of financial position.

(iii) Short–term leases and leases of low–value assets

The Company applies the short–term lease recognition exemption to its short–term leases of buildings, office fixtures and vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low–value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short–term leases and leases of low value assets are recognised as expense on a straight–line basis over the lease term.

2. Summary of significant accounting policies (continued)

(q) Leases (continued)

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight–line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(r) Operating Segments

An operating segment is a component of a Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. Changes in accounting policies and disclosures

(a) New and amended standards and interpretations

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new or amended standards and interpretations became effective on 1 January 2022, but did not have significant impact on the Company's and the Company's financial statements:

- *Amendments to IFRS 3* - Reference to the Conceptual Framework
- Amendments to IAS 16 Leases - Property, Plant and Equipment: Proceeds before Intended Use
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- *Amendments to IFRS 3* - Reference to the Conceptual Framework

4. New standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the separate financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These amendments are not expected to have a significant impact on the Company's separate financial statements.

- Amendments to IFRS 17 *Insurance Contracts:* Recognition and measurement, presentation and disclosure;
- Amendments to IAS 1: *Classification of Liabilities as Current or Non–current;*
- Definition of Accounting Estimates – Amendments to IAS 8;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

5. Critical accounting estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

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

5. Critical accounting estimates and assumptions (continued)

Provision for expected credit losses of financial assets

Trade and other receivables

The Company has two approaches to calculate ECLs for trade receivables and contract assets: individual assessment and collective approach. Individual approach is only used for significant counteragents, related parties and state organizations.

For the collective approach the Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward–looking information. At every reporting date, the historical observed default rates are updated and changes in the forward–looking estimates are analyzed.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 12.

Loans issued

Expected credit losses on loans issued are assessed individually considering the internal credit rating of the borrower based on certain financial and non–financial information. The Company measures loss allowances at an amount equal to 12–month ECL when loan is issued. Loans issued for which a 12–month ECL is recognized are referred to as 'Stage 1' financial instruments. Loans issued allocated to stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit–impaired. When determining whether the credit risk of loan issued has increased significantly since initial recognition and when estimating ECL, the Company considers borrower's internal credit rating for each reporting date. If the internal rating is downgraded, the Company identifies there is significant increase in credit risk since initial recognition and those loans issued are referred as 'Stage 2' financial instruments for which lifetime ELC is recognized.

If the Company has information, that the borrower has significant financial difficulties or it is probable that the borrower will enter bankruptcy or other financial reorganization, the respective instrument is considered as credit–impaired and is referred as 'Stage 3 Financial Instrument'.

The key inputs into the measurement of ECL are the term structure of the following variables:

- ► Probability of default (PD);
- ► Loss given default (LGD);
- ► Exposure at default (EAD).

PD for the loans issued is evaluated by an individual approach on a rating system based on a scoring questionnaire and represents the country's rating (based on Moddy's rating agency) adjusted by the individual risk characteristics of each individual borrower.

LGD is magnitude of likely loss if there a default. The Company applies LGD parameters based on the statistical recovery rates of claims against defaulted counterparties published by Moddy's. LGD 45% is applied to all the loans issued in the stage 1.
ECL was applied on accrued interest on loans issued calculated similarly as for the outstanding principle on the same loan.
As at 31 December 2022 and 2021, all borrowers are related parties and are allocated to Stage 1 Financial instruments.
The information about the ECLs on the Company's loans issued is disclosed in Note 11.

Impairment of investment in subsidiaries

The Company determines whether investment in subsidiaries is impaired when there is an indication of impairment. This requires an estimation of the value-in-use of the investment in subsidiaries. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows and also to determine suitable discount and growth rates in order to calculate the present value of those cash flows. The carrying amount of investment in subsidiaries as at 31 December 2022 was GEL 91,775 (2021: GEL 3,930). Further details are disclosed in Note 1.

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non–cancellable term of the lease, together with any periods covered by an option to extend the lease if the lessee is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of one to four years. The Company applies judgement in evaluating in weather it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassessed the lease term if

(Amounts in thousands of Georgian Lari)

5. Critical accounting estimates and assumptions (continued)

there is a significant event or change in circumstances that is within its control and affects its liability to exercise (or not to exercise) the option of renewal. The Company included the renewal period as part of the lease term for leases of land and buildings, machinery and equipment.

The Company has also several lease contracts that include termination options. The Company applies judgement in evaluation weather it is reasonably certain to exercise the option of termination. The Company doesn't intend to use termination option for its lease contracts.

Estimating the incremental borrowing rate used for the calculation of lease liability

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right–of–use asset in a similar economic environment. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity–specific estimates.

6. Segment information

For management purposes, the Company directs two operating segments: Vehicles and related services and automotive products and related services.

The majority of the Company's revenue is generated in Georgia, therefore information regarding geographical areas is not provided.

All corporate expenses and incomes not directly attributable to an identified segment are allocated to automotive products and related services, since this is major segment for the Company.

Information related to each reportable segment is set out below as at 31 December 2022:

	Vehicles and related services	Automotive products and related services	Total segments
Revenue from contract with customers	9,767	53,416	**63,183**
Net profit 2022	**271**	**11,707**	**11,978**
Total assets	**26,833**	**490,138**	**516,971**
Total liabilities	**26,561**	**422,055**	**448,616**

Information related to each reportable segment is set out below as at 31 December 2021:

	Vehicles and related services	Automotive products and related services	Total segments
Revenue from contract with customers	98,261	133,116	**231,377**
Net profit 2021	**17,896**	**(16,326)**	**1,570**
Total assets	**35,972**	**247,895**	**283,867**
Total liabilities	**6,435**	**213,821**	**220,256**

(Amounts in thousands of Georgian Lari)

7. Property, plant and equipment

Movements in the carrying amount of Company's property, plant, equipment were as follows:

	Land and buildings	**Machinery and equipment**	**Office fixtures and vehicles**	**Others**	**Construction in progress***	**Total**
Cost	86,255	16,290	14,124	7,681	1,800	**126,150**
Accumulated depreciation	(8,036)	(10,931)	(8,379)	(3,860)	–	**(31,206)**
Carrying amount at 31 December 2020	**78,219**	**5,359**	**5,745**	**3,821**	**1,800**	**94,944**
Additions	5,636	703	3,031	8,188	1,770	**19,328**
Transfers	508	1,407	2,226	(4,094)	(47)	**–**
Disposals	(56)	(72)	(4,867)	(637)	–	**(5,632)**
Depreciation charge	(1,457)	(1,776)	(1,858)	(1,318)	–	**(6,409)**
Transfers – accumulated depreciation	(12)	15	1	(4)	–	**–**
Accumulated depreciation for disposals	–	43	1,995	120	–	**2,158**
Carrying amount at 31 December 2021	**82,838**	**5,679**	**6,273**	**6,076**	**3,523**	**104,389**
Cost	92,343	18,328	14,514	11,138	3,523	**139,846**
Accumulated depreciation	(9,505)	(12,649)	(8,241)	(5,062)	–	**(35,457)**
Carrying amount at 31 December 2021	**82,838**	**5,679**	**6,273**	**6,076**	**3,523**	**104,389**
Additions*	22,873	1,423	2,678	11,847	7,953	**46,774**
Transfers	232	2,000	3,602	(5,834)	–	–
Disposals	–	(1,120)	(2336)	(253)	–	**(3,709)**
Depreciation charge	(1,694)	(1,968)	(2,115)	(1,142)	–	**(6,919)**
Accumulated depreciation for disposals	–	1,074	278	197	–	**1,549**
Carrying amount at 31 December 2022	**104,249**	**7,088**	**8,380**	**10,891**	**11,476**	**142,084**
Cost	115,448	20,631	18,458	16,898	11,476	182,911
Accumulated depreciation	(11,199)	(13,543)	(10,078)	(6,007)	–	(40,827)
Carrying amount at 31 December 2022	**104,249**	**7,088**	**8,380**	**10,891**	**11,476**	**142,084**

*Most of the additions during 2022 relates to the expansion and improvement of existing branch and also, construction of a new branch in Tbilisi.

The following are the amounts of depreciation expenses of PPE recognized in profit or loss of the Company:

	31 December 2022	**31 December 2021**
Included in cost of sales	2,325	2,118
Included in general and administrative expenses	4,594	4,291
Total depreciation expense	**6,919**	**6,409**

At 31 December 2022 the Company's land, buildings, machinery and equipment with carrying value of GEL 111,337 (2021: GEL 88,517), respectively, have been pledged to third parties as collateral for borrowings (Refer to Notes 14 and 24).

The gross carrying amount of fully depreciated property and equipment that is still in use in the Company amounted to GEL 16,040, respectively, as at 31 December 2022 (2021: GEL 14,823).

The Company started the improvement and construction of new branches in 2022. This project is expected to be completed in December 2023. The amount of borrowing costs capitalized during the year ended 31 December 2022 was 1,378 GEL.

(Amounts in thousands of Georgian Lari)

8. Intangible assets

	SAP system costs and licenses	Others	Total
Cost	7,744	1,319	9,063
Accumulated amortization	(2,992)	(670)	(3,662)
Carrying amount as at 31 December 2020	**4,752**	**649**	**5,401**
Additions	1,602	31	1,633
Disposals	–	(70)	(70)
Amortization charge	(892)	(51)	(943)
Accumulated amortization for disposals	–	70	70
Carrying amount as at 31 December 2021	**5,462**	**629**	**6,091**
Cost	9,346	1,280	10,626
Accumulated amortization	(3,884)	(651)	(4,535)
Carrying amount as at 31 December 2021	**5,462**	**629**	**6,091**
Additions	1,985	112	2,097
Disposals	(2)	–	(2)
Amortization charge	(990)	(33)	(1,023)
Carrying amount at 31 December 2022	**6,455**	**708**	**7,163**
Cost	11,329	1,392	12,721
Accumulated amortization	(4,874)	(684)	(5,558)
Carrying amount at 31 December 2022	**6,455**	**708**	**7,163**

In 2022, the Company established and enhanced its existing software applications and websites. The remuneration of employees engaged in these projects was capitalized as part of intangible assets and amounted 1,156 GEL.

(Amounts in thousands of Georgian Lari)

9. Right–of–use assets and lease liabilities

Set out below are the carrying amounts of the Company's right–of–use assets recognised and the movements during the period:

	Land and buildings	Vehicles	Total
Cost	18,564	2,086	**20,650**
Accumulated depreciation	(9,226)	(243)	**(9,469)**
Carrying amount at 1 January 2021	**9,338**	**1,843**	**11,181**
Additions	12,147	4,287	**16,434**
Disposals	(230)	(401)	**(631)**
Modification	209	–	**209**
Depreciation charge	(3,379)	(779)	**(4,158)**
Accumulated depreciation for disposals	116	58	**174**
Accumulated depreciation for modification	335	–	**335**
Carrying amount at 31 December 2021	**18,536**	**5,008**	**23,544**
Cost	30,690	5,972	**36,662**
Accumulated depreciation	(12,154)	(964)	**(13,118)**
Carrying amount at 31 December 2021	**18,536**	**5,008**	**23,544**
Additions	6,134	1,291	**7,425**
Disposals	(111)	(961)	**(1,072)**
Modification	(80)	–	**(80)**
Depreciation charge	(4,253)	(1,365)	**(5,618)**
Accumulated depreciation for disposals	7	261	**268**
Accumulated depreciation for modification	34	–	**34**
Carrying amount at 31 December 2022	**20,267**	**4,234**	**24,501**
Cost	36,633	6,302	**42,935**
Accumulated depreciation	(16,366)	(2,068)	**(18,434)**
Carrying amount at 31 December 2022	**20,267**	**4,234**	**24,501**

(Amounts in thousands of Georgian Lari)

9. Right–off–use assets and lease liabilities (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022	2021
As at 1 January	**26,169**	**14,272**
Additions	7,425	16,434
Accretion of interest	2,346	2,107
Termination	(851)	(486)
Modification	(46)	545
Payments	(7,415)	(6,256)
Concession income due to Covid 19	–	(7)
The effect of changes in foreign exchange rates	(2,240)	(440)
As at 31 December	**25,388**	**26,169**
Current	5,154	4,312
Non–current	20,234	21,857

The maturity analysis of lease liabilities is disclosed in note 25.

Following are the amounts recognized in profit or loss:

	2022	2021
Depreciation expense of right–of–use assets	5,618	4,158
Interest expense on lease liabilities (Note 21)	2,346	2,107
The effect of changes in foreign exchange rates	(2,240)	(440)
Expenses related to the short-term lease and leases of low value assets	859	438
Concession income due to Covid 19 (Note 19)	–	(7)
Income from termination of lease agreement (Note 19)	–	(29)
Total amount recognised in profit or loss	**6,583**	**6,227**

The Company had total cash outflows for leases of GEL 8,274 in 2022 (GEL 6,694 in 2021).

10. Inventories

	31 December 2022	31 December 2021
Goods for resale (at lower of cost and net realizable value)	9,191	374
Goods in transit (at lower of cost and net realizable value)	4,161	2,898
Other (at cost)	4,030	3,771
Total inventories	**17,382**	**7,043**

The cost of inventories recognised as expenses are included in the cost of sales, general and administrative expenses, selling and distribution expenses and other operating expenses of the Company and amounted to GEL 48,788, respectively during 2022 (2021: GEL 184,598).

The Company's inventories were written down to their net realizable values and expensed in other operating expenses in amounts of GEL 75 (2021: GEL 202) (refer to Note 20).

At 31 December 2022 all of the Company's inventories have been pledged to third parties as collateral for borrowings (refer to Note 24).

(Amounts in thousands of Georgian Lari)

11. Loans issued

	31 December 2022	31 December 2021
Loans issued to entities under common control	11,802	4,110
Loans issued to the Ultimate Controlling Party (Note 27)	21,500	6,358
Loans issued to the subsidiaries (Note 27)	16,332	25,423
Provision for expected credit losses	(528)	(354)
Total loans issued	**49,106**	**35,537**

Movements in issued loans were as follows:

	2022	2021
At 1 January	**35,537**	**24,953**
Loans issued	86,569	88,129
Repayment of loans issued	(64,050)	(76,633)
Interest received	(6,473)	(2,414)
Interest income	5,810	4,201
Netting with liabilities	(4,570)	–
Provision for expected credit losses	(174)	(206)
Foreign exchange gain, net	(3,543)	(2,493)
At 31 December	**49,106**	**35,537**

12. Trade and other receivables

	31 December 2022	31 December 2021
Trade receivables	12,944	42,152
Receivables from associates	–	3,246
Receivables from subsidiaries	32,816	49,074
Less provision for expected credit losses	(4,685)	(8,056)
Total trade receivables	**41,075**	**86,416**
Dividends receivable	52,623	36
Other receivables	1,983	2,361
Total trade and other receivables	**95,681**	**88,813**

Analysis by credit quality of financial assets within trade and other receivables for the Company as at 31 December 2022 is as follows:

	Current	<31 days	31–93 days	93–186 days	186–341 days	>341 days	Total
Estimated total gross carrying amount at default	56,687	12,363	10,012	12,275	747	8,282	**100,366**
Expected credit loss	67	33	54	100	176	4,255	**4,685**
Expected loss rate	0.12%	0.27%	0.54%	0.81%	23.56%	51.38%	**4.67%**

Analysis by credit quality of financial assets within trade and other receivables for the Company as at 31 December 2021 is as follows:

	Current	<31 days	31–93 days	93–186 days	186–341 days	>341 days	Total
Estimated total gross carrying amount at default	46,021	3,847	5,952	9,064	12,177	19,808	**96,869**
Expected credit loss	16	18	36	266	679	7,041	**8,056**
Expected loss rate	0.03%	0.47%	0.60%	2.94%	5.57%	35.55%	**8.32%**

(Amounts in thousands of Georgian Lari)

12. Trade and other receivables (continued)

Movements in the provision for expected credit losses are as follows:

	2022	2021
Provision for expected credit losses at 1 January	**8,056**	**4,190**
(Recovery) / Charge for the year, net	(3,371)	3,866
Provision for expected credit losses at 31 December	**4,685**	**8,056**

13. Cash and bank balances

	31 December 2022	31 December 2021
Current accounts with banks	1,022	4,488
Cash on hand	1,302	1,422
Restricted cash	65,232	265
Total cash and bank balances	**67,556**	**6,175**
Restricted amounts	(65,232)	(265)
Total cash and cash equivalents in the separate statements of cash flows	**2,324**	**5,910**

Major cash and bank balances balances are held by the Company with Georgian commercial bank, having Standard and Poor's and Fitch rating of BB–.

As at 31 December 2022 substantial amount of the Restricted cash balance primarily comprises advance payments received from clients. These funds additionally serve as collateral for banking products that are issued in conjunction with above mentioned clients.

As at 31 December 2022 and 2021 restricted cash serves as a security for other financial liabilities (Note 24).

In 2022 interest income on cash and bank balances amounted to GEL 280 for the Company (2021: GEL 118).

14. Borrowings

	31 December 2022	31 December 2021
Loans received – non–current portion	166,368	48,937
Loans received – current portion	85,387	69,948
Total borrowings	**251,755**	**118,885**

During 2022 the Company issued bonds in the amount of GEL 150,000 maturing in 2025, with variable interest rate of 3.5% + TIBR 3M determined by the National Bank of Georgia. The bonds were used to refinance existing loans from the Georgian commercial banks.

The table below summarizes outstanding loans received as at 31 December 2022:

Original currency	Agreement date	Maturity date	Lender	Amount
GEL	2022	2025	Bonds	149,479
GEL	2018	2032	Georgian commercial bank	58,817
GEL	2021	2023	Legal Entity	21,941
EUR	2021	2023	Legal Entity	5,614
USD	2021	2023	Legal Entity	15,309
GEL	2022	2023	Physical person	595
				251,755

(Amounts in thousands of Georgian Lari)

14. Borrowings (continued)

The table below summarizes outstanding loans received as at 31 December 2021:

Original currency	Agreement date	Maturity date	Lender	Amount
GEL	2019	2022	Bonds	30,632
GEL	2018	2024	Georgian commercial bank	85,127
EUR	2021	2022	Georgian commercial bank	2,177
EUR	2021	2022	Legal Entity	299
GEL	2021	2022	Legal Entity	259
USD	2021	2022	Legal Entity	391
				118,885

For details of assets pledged for bank loans as collateral and discussion of compliance with covenants refer to Note 24.

	2022	2021
At 1 January	**118,885**	**119,401**
Receipts from borrowings	369,497	284,199
Interest expense (Note 21)	24,102	16,436
Capitalized interest	1,378	–
Interest payments	(23,467)	(16,917)
Principal repayments	(234,873)	(279,349)
Foreign exchange loss, net	(3,767)	(4,885)
At 31 December	**251,755**	**118,885**

In the fiscal year 2022, the weighted average interest rates for loans denominated in the local currency exhibited a range of 13% to 14%, as compared to the preceding fiscal year 2021, where the range stood at 14% to 15%. The average maturity period for these loans during the fiscal year 2022 was 856 days, in contrast to the previous fiscal year 2021, where the average maturity period was 534 days.

Similarly, in the fiscal year 2022, the weighted average interest rates for loans denominated in foreign currency exhibited a range of 10% to 11%, as compared to the preceding fiscal year 2021, where the range stood at 7% to 8%. The average maturity period for these loans during the fiscal year 2022 was 114 days, in contrast to the previous fiscal year 2021, where the average maturity period was 51 days.

15. Trade and other payables

	31 December 2022	31 December 2021
Payables to subsidiaries	31,684	8,633
Trade payables	8,248	9,011
Payables for non–current assets	3,937	1,513
Dividends payable	187	13
Payables to associates	26	617
Total financial liabilities within trade and other payables	**44,082**	**19,787**
Payables related to acquisition of subsidiaries*	26,562	–
Accrued employee benefit costs	6,897	4,955
Other	1,222	355
Total trade and other payables	**78,763**	**25,097**

*As at December 31, 2022, the Company holds payables associated with the acquisition of subsidiaries from former owners, valued at 26,562 GEL. These liabilities are initially measured at fair value as of the acquisition date and discounted using the prevailing market rate.

(Amounts in thousands of Georgian Lari)

16. Revenue from contract with customers

	2022	2021
Revenue from goods sold	44,748	216,292
Revenue from rendered services	18,435	15,085
Total revenues	**63,183**	**231,377**

Goods were transferred at a point in time, while rendered service was transferred over time during 2022 and 2021.

The Company has recognized the following revenue–related trade receivables and contract liabilities:

	31 December 2022	31 December 2021
Trade receivables (Note 12)	41,075	86,416
Contract liabilities – non–current portion	4,036	6,435
Contract liabilities – current portion	55,178	3,030

Accounts receivable are recognized when the right to consideration becomes unconditional. Contract liabilities are received consideration from the customers and represent the Companies' obligation to transfer goods or services to these customers.

Contract liabilities of the Company in the amount of GEL 55,178 is expected to be recognised as revenue in 2023 related to performance obligations that are unsatisfied at the reporting date. In 2022, the Company recognized as revenue GEL 3,030 that was included under current portion of contract liabilities at the beginning of the reporting period.

17. Cost of sales

	2022	2021
Cost of goods sold at a point of time	(43,577)	(178,697)
Cost of services rendered over time:		
Purchased services	(18,462)	(12,399)
Depreciation and amortization	(2,339)	(2,151)
Staff costs	–	(1,938)
Consumable materials used	–	(159)
Other costs	(364)	(361)
Total cost of sales	**(64,742)**	**(195,705)**

18. General and administrative expenses

	2022	2021
Staff costs	(31,620)	(22,136)
Depreciation expense of right-of-use assets	(5,618)	(4,158)
Depreciation and amortisation	(5,603)	(5,201)
Taxes other than on income	(4,326)	(1,588)
Office expense	(3,700)	(3,093)
Professional services	(3,545)	(3,519)
Utility	(2,407)	(2,169)
Communication expense	(2,103)	(1,546)
Fuel expense	(1,164)	(646)
Repair and maintenance	(918)	(804)
Business trip expense	(897)	(125)
Expenses related to the short–term lease and leases of low value assets	(859)	(438)
Security	(782)	(595)
Bank Charges	(85)	(141)
Other expenses	(798)	(859)
Total general and administrative expenses	**(64,425)**	**(47,018)**

(Amounts in thousands of Georgian Lari)

19. Other operating income

	2022	2021
Dividend income	56,795	43
Operating lease income (a)	40,136	34,917
Professional services	7,395	5,267
Recovery of impairment on receivables	3,177	–
Other	4,296	3,734
Total other operating income	**111,799**	**43,961**

(a) The Company had entered into operating leases consisting of certain buildings and office equipment. These leases have terms of between one and nine years.

20. Other operating expenses

	2022	2021
Fines, penalties and tax related expenses	(350)	(152)
Provision for expected credit losses for issued loans (Note 11)	(174)	(206)
Charity expenses	(90)	(34)
Write–down of inventories to net realizable value (Note 10)	(75)	(202)
Provision for expected credit losses for trade and other receivables (Note 12)	–	(4,220)
Other	(597)	(284)
Total other operating expenses	**(1,286)**	**(5,098)**

21. Finance costs

	2022	2021
Interest expenses (Note 14)	(24,102)	(16,436)
Foreign exchange losses, net	(3,473)	(7,190)
Interest expenses on other financial liabilities	(3,090)	(13)
Interest expenses on lease liabilities (Note 9)	(2,346)	(2,107)
Other	(2,762)	(319)
Total finance costs	**(35,773)**	**(26,065)**

22. Income tax expenses

The current income tax represents tax on dividends declared to the shareholders of the Company.

	2022	2021
Total dividends declared	**(15,000)**	**(10,111)**
Out of which:		
Non–taxable dividends	(14,817)	(9,128)
Taxable dividends	(183)	(983)
Tax rate used (%)	15/85	15/85
Theoretical income tax expense at the statutory rate	**(32)**	**(173)**
Non–deductible expenses and other permanent differences	-	(168)
Income tax expense	**(32)**	**(341)**

Dividends in the amount of GEL 14,817 distributed to the TGM Group LLC are non–taxable as they occur between Georgian legal entities (2021: GEL 9,128).

(Amounts in thousands of Georgian Lari)

23. Equity

23.1 Dividends declared and paid

The Company declared dividends to its existing shareholders in the amount of GEL 15,000 in 2022 (2021: GEL 10,111).

23.2 Other capital distribution

Other capital distributions relate to recognition of financial guarantee contracts and other financial liabilities in line with the Company's accounting policies (Note 24).

24. Contingencies and commitments

Tax legislation

The taxation system in Georgia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges.

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 the separate financial statements, if the authorities were successful in enforcing their own interpretations, could be significant.

Assets pledged

The following assets were pledged as collateral towards the borrowings from banks (Note 14):

	31 December 2022	31 December 2021
Land and buildings (Notes 7, 14)	104,249	82,838
Machinery and equipment (Notes 7, 14)	7,088	5,679
Inventories (Notes 10, 14)	17,382	7,043

Financial guarantee contracts and other financial liabilities

As at 31 December 2021 the Company has entered into 'blanket' guarantee contracts with the Georgian commercial bank. Under Guarantee, the Company guarantees performance of entities under common control (including its parent entity) related to their loans towards the bank. According to these loans, at the end of each reporting period the Company remeasure its other financial liabilities. Effect of the remeasurement was reflected as a change of other reserves

As at 31 December 2022, guarantees were as follows:

Instrument	Issuer	Beneficiary	Currency	Maximum exposure	Net book value of other financial liabilitites
Guarantee	Tegeta Motors LLC	TGM Group LLC	GEL	120,000	29,980
		Total			**29,980**

As at 31 December 2021, guarantees were as follows:

Instrument	Issuer	Beneficiary	Currency	Maximum exposure	Net book value of other financial liabilitites
Guarantee 1	Tegeta Motors LLC	TGM Group LLC	GEL	83,000	36,091
		Total			**36,091**

Under guarantee only maximum exposure limit was changed during 2022 year and amounted GEL 120,000 instead of GEL 83,000.

(Amounts in thousands of Georgian Lari)

24. Contingencies and commitments (continued)

Compliance with contractual covenants

The Company is subject to certain covenants related primarily to its bank loans (Note 14). Non–compliance with such covenants may result in negative consequences for the Company. As at 31 December 2022, the Company was in compliance with all the contractual covenants, except certain financial and non–financial covenants under loan agreements, for which the Company received the waiver for the total amount of the loans as of 31 December 2022.

The Company is in compliance with all contractual covenants related to its bonds.

Contractual commitments – the Company as a lessor

The Company's future minimum rentals receivable under non–cancellable operating leases as at 31 December 2022 are as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Rent income	3,239	6,362	27,213	18,809	1,184	**56,807**
Total future payments	**3,239**	**6,362**	**27,213**	**18,809**	**1,184**	**56,807**

The Company's future minimum rentals receivable under non–cancellable operating leases as at 31 December 2021 are as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Rent income	2,842	5,528	20,449	30,856	1,185	**60,860**
Total future payments	**2,842**	**5,528**	**20,449**	**30,856**	**1,185**	**60,860**

25. Financial risk management

The Company's principal financial liabilities comprise borrowings, lease liabilities, financial guarantee contracts, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to raise finances for the Company's operations and investing activities. The Company has trade and other receivables, amounts due from the financial institutions and cash and bank balances and loans issued that arrive directly from its operations. The Company is exposed to credit risk, foreign currency risk, liquidity risk and interest rate risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks.

The Company's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the statement of financial position.

	31 December 2022	31 December 2021
Trade and other receivables (Note 12)	95,681	88,813
Loans issued (Note 11)	49,106	35,537
Cash and bank balances (Note 13)	67,556	6,175
Total maximum exposure to credit risk	**212,343**	**130,525**

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability–weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events and current conditions. Generally, trade receivables are written–off if past due for more than one year and are not subject to enforcement activity. The Company does not hold collaterals or letter of credit.

The Company's management review ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 12.

(Amounts in thousands of Georgian Lari)

25. Financial risk management (continued)

Trade receivables (continued)

The Company has no significant concentrations of credit risk since the customers portfolio is diversified among a large number of customers, both private individuals and companies. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to beyond the provisions already recorded in the separate financial statements.

Cash on current account and short–term deposits

The Company manages the credit risk by depositing the majority of available cash with well–known banks in Georgia. Management of the Company continually monitors the status of the banks where deposits are maintained, also status of major customers and respective receivables are monitored on daily bases.

Loans issued

Loans are issued to entities under common control and the Ultimate Controlling Party as part of a finance management function for a wider group of companies under common control. ECL estimation on the loans issued is described in Note 5. Management believes that there is no significant risk of loss to beyond the provisions already recorded in the separate financial statements.

Market risk

Market risks arise from open positions in (a) foreign currencies and (b) interest bearing liabilities all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Company entities. The functional currencies of Company companies are primarily the Georgian Lari (GEL). The currencies in which these transactions primarily are denominated are USD, EUR.

The table below summarizes the Company’s exposure to foreign currency exchange rate risk at the end of the reporting period:

	31 December 2022			31 December 2021		
	Monetary financial assets	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
US Dollars	64,374	(55,502)	**8,872**	35,950	(27,917)	**8,033**
Euros	40,543	(33,472)	**7,071**	48,067	(4,233)	**43,834**

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company with all other variables held constant:

	2022	**2021**
	Impact on profit or loss	**Impact on profit or loss**
US Dollar strengthening by 10%	887	803
US Dollar weakening by 10%	(887)	(803)
Euro strengthening by 10%	707	4,383
Euro weakening by 10%	(707)	(4,383)

(Amounts in thousands of Georgian Lari)

25. Financial risk management (continued)

Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarizes the Company's exposure to interest rate risks. The table presents the aggregated amounts of the financial liabilities at carrying amounts, categorized by the earlier of contractual interest, repricing or maturity dates.

	31 December 2022	31 December 2021
Borrowings	170,176	115,764

A reasonably possible change of 100 basis points in interest rates at the reporting date would have affected profit and the loss of the Company by GEL 1,701 (2021: GEL 1,157). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of three months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below shows liabilities by their remaining contractual maturity. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The following are the remaining contractual maturities of financial liabilities at the 31 December 2022. The amounts are gross and undiscounted and include estimated interest payments. Financial guarantee contracts include the gross amount of guaranteed obligations at the reporting dates. The management does not expect that guarantee contracts will be settled by the Company.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total	Total carrying amount
Borrowings	1,243	7,896	104,731	211,327	9,617	**334,814**	**251,755**
Lease liabilities	585	1,158	4,962	18,648	3,759	**29,112**	**25,388**
Financial guarantee contracts	22	27	401	678	–	**1,128**	**910**
Other financial liabilities	967	1,934	10,098	60,675	34,330	**108,004**	**29,980**
Trade and other payables	59,109	–	–	25,146	–	**84,255**	**78,763**
Total future payments	**61,926**	**11,015**	**120,192**	**316,474**	**47,706**	**557,313**	**386,797**

The following are the remaining contractual maturities of financial liabilities at the 31 December 2021. The amounts are gross and undiscounted and include estimated interest payments and exclude the impact of netting agreements.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total	Total carrying amount
Borrowings	5,006	5,695	71,361	57,279	–	**139,341**	**118,885**
Lease liabilities	592	1,119	4,799	20,643	7,015	**34,168**	**26,169**
Financial guarantee contracts	–	–	46	–	–	**46**	**685**
Other financial liabilities	–	–	1,618	6,195	73,580	**81,393**	**36,091**
Trade and other payables	25,097	–	–	–	–	**25,097**	**25,097**
Total future payments	**30,695**	**6,814**	**77,824**	**84,117**	**80,595**	**280,045**	**206,927**

The Company does not have formal objectives set in respect of management of capital.

(Amounts in thousands of Georgian Lari)

26. Fair value of financial instruments

Fair value of financial assets and financial liabilities approximates carrying value.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than twelve months), and for the financial liabilities with floating interest rates, it is assumed that the carrying amounts approximate to their fair value. The fair value of borrowings with fixed interest rates is estimated by discounting future cash flows using rates currently available for loans on similar terms, credit risk and remaining maturities.

All of the financial assets and financial liabilities for which fair values are disclosed are measured at level 3 of fair value hierarchy, except for cash and bank balances, which is measured at level 1 and except bonds, which is measured at level 2.

27. Balances and transactions with related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions with other related parties are mainly purchase and sale of vehicles and automotive products.

As at 31 December 2022, the outstanding balances with related parties were as follows:

	Owners	Key management	Subsidiaries	Associates	Other related parties	Total
Trade and other receivables	159	260	32,816	–	1,527	**34,762**
Less provision for ECL	(99)	(198)	–	–	(1,037)	**(1,334)**
Prepayments	–	–	10,580	–	7,903	**18,483**
Loans issued (Note 11)	21,500	–	16,332	–	11,303	**49,135**
Less provision for ECL	(89)	–	–	–	(174)	**(263)**
Borrowings (Note 14)	–	(595)	(41,487)	–	(4,314)	**(46,396)**
Lease liabilities	(7,720)	–	(9,772)	(335)	–	**(17,827)**
Other financial liabilities	(29,980)	–	–	–	–	**(29,980)**
Trade and other payables	(458)	–	(31,684)	(26)	(3,173)	**(35,341)**
Contract liabilities	–	–	(244)	–	–	**(244)**
Dividends receivable	–	–	52,623	–	–	**52,623**
Dividends payable	(187)	–	–	–	–	**(187)**
Accrued employee benefit costs	–	(3,744)	–	–	–	**(3,744)**
Financial guarantee contracts	–	–	(910)	–	–	**(910)**

As at 31 December 2021, the outstanding balances with related parties were as follows:

	Owners	Key management	Subsidiaries	Associates	Other related parties	Total
Trade and other receivables	57	251	49,074	3,246	1,828	**54,456**
Less provision for ECL	(32)	(201)	–	(2,851)	(1, 090)	**(4,174)**
Prepayments	–	6	1,752	–	2,475	**4,233**
Loans issued (Note 11)	6,358	–	25,423	–	4,110	**35,891**
Less provision for ECL	–	–	–	–	(354)	**(354)**
Borrowings (Note 14)	–	–	(650)	–	(299)	**(949)**
Lease liabilities	(6,857)	–	(98)	(584)	(10,910)	**(18,449)**
Other financial liabilities	(36,028)	–	–	–	(63)	**(36,091)**
Trade and other payables	(139)	(1)	(8,633)	(617)	(1,102)	**(10,492)**
Contract liabilities	–	(2)	–	–	–	**(2)**
Dividends receivable	–	–	–	36	–	**36**
Dividends payable	(13)	–	–	–	–	**(13)**
Accrued employee benefit costs	(13)	(2,742)	–	–	–	**(2,755)**
Financial guarantee contracts	–	–	(639)	–	(46)	**(685)**

Other related parties mainly represent entities and/or individuals related to the ultimate controlling party of the Company.

(Amounts in thousands of Georgian Lari)

27. Balances and transactions with related parties (continued)

The transaction amounts with related parties for the year ended 31 December 2022 were as follows:

	Owners	Key management	Subsidiaries	Associates	Other related parties	Total
Sale of goods	65	–	23,943	–	69	**24,077**
Revenue from services rendered	26	–	9,321	–	603	**9,950**
Rental income	–	–	39,798	–	280	**40,078**
Purchases of goods for resale	–	–	(32,152)	–	(60)	**(32,212)**
Purchases of property and services	–	–	(18,093)	–	(329)	**(18,422)**
Rent payments	(1,422)	–	(3,559)	(271)	–	**(5,252)**
Professional service expenses	–	–	(88)	–	(1,814)	**(1,902)**
Salaries and bonuses	–	(2,795)		–	(19)	**(2,814)**
Interest income	2,548	3	2,202	–	994	**5,747**
Interest expense	–	–	(3,134)	–	(68)	**(3,202)**
Share of results	–	–	–	–	–	**-**
Dividend income	–	–	56,725	70	–	**56,795**
Dividends paid	(14,817)	–	–	–	–	**(14,817)**
Gain from remeasurement of financial guarantee	–	–	467	–	–	**467**
Others	5	(100)	502	–	(245)	**162**

The transaction amounts with related parties for the year ended 31 December 2021 were as follows:

	Owners	Key management	Subsidiaries	Associates	Other related parties	Total
Sale of goods	24	11	34,125	583	114	34,857
Revenue from services rendered	43	26	7,236	–	602	7,907
Rental income	–	–	34,634	–	222	34,856
Purchases of goods for resale	–	–	(80,560)	–	(1,070)	(81,630)
Purchases of property and services	–	–	(625)	(16)	(331)	(972)
Rent payments	(1,467)	(31)	(156)	(269)	(2,267)	(4,190)
Salaries and bonuses	(404)	(4,943)	(210)	–	(325)	(5,882)
Interest income	377	–	3,312	–	499	4,188
Interest expense	–	–	(220)	–	(170)	(390)
Share of results	–	–	–	–	–	-
Dividend income	–	–	–	43	–	43
Dividends paid	(10,111)	–	–	–	–	(10,111)
Gain from remeasurement of financial guarantee	–	–	131	–	–	131

28. Non–cash transactions

The Company netted off tax payables and current income tax prepaid with the amount of GEL 320 (2021: GEL 158).

The Company netted off loans issued and dividens payables with the amount of GEL 4,363 (2021: GEL 208).

The other capital distribution of GEL 7,764 (2021: GEL (36,114)) was recognized together with assumption of financial guarantee obligations and represents a non–cash transaction for the Company (Note 24).

In 2022 the Company also had non–cash additions to right–of–use assets and lease liabilities of GEL 7,425.

29. Subsequent events

In August 2023 the Company declared dividends to its existing shareholders in the amount of GEL 19,486.

In April 2023, the Company successfully listed bonds, with a total value of USD 25,000,000 (ISIN: GE 2700604327) and EUR 5,000,000 (ISIN: GE 2700604335), with interest rates of 8.5% and 7%, respectively. This marked the Companies first foreign-currency listing accessible to individual investors. The proceeds from this listing were entirely allocated to refinancing of the existing debt obligations of the Company.

On June 29, 2023, the Company introduced bonds valued at GEL 20,000,000 (ISIN: GE 2700604376), with variable interest rate of 3.5% + TIBR 3M determined by the National Bank of Georgia. These represent the first GEL-denominated green bonds and represent the largest green bond transaction on the local stock exchange. The Asian Development Bank fully subscribed to these bonds, marking the first foreign direct investment for the Company. The funds raised through these bonds will be entirely dedicated to green initiatives, emphasizing the long-term commitment to sustainable development of the Company.

The new subsidiary – Caucasus Machinery LLC was founded on the 27th of February 2023.

The Company purchased the remaining 10% of Auto Gallery LLC shares during 2023 and obtained full control of this entity with 100% of ownership.