ANAGI GROUP

Consolidated Financial Statements, Management Report and Independent Auditor's Report
For Year Ended 31 December 2023

ANAGI GROUP

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Anagi LLC and its subsidiaries (the "Group") as of 31 December 2023 and the results of its operations, changes in equity and cash flows for the year ended 31 December 2023, in compliance with International Financial Reporting Standards ("IFRS"). Management is also responsible for the preparation of management report in accordance with the Law of Georgia on Accounting, Reporting and Auditing.

In preparing the consolidated 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 Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.
- Disclosing the information in the management report as required by the Law of Georgia on Accounting, Reporting and Auditing;
- Preparation of the management report consistent with the consolidated financial statements.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group 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 Group; and
- Detecting and preventing fraud and other irregularities.

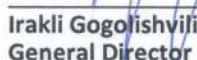
Management is responsible for the preparation of the consolidated Management Report in accordance with the requirements of Law of Georgia on Accounting, Reporting and Auditing and for such internal control as management determines is necessary to enable the preparation of the consolidated Management Report that is free from material misstatement, whether due to fraud or error.

Management is responsible for the following:

- The Management Report for the year ended 31 December 2023 is prepared in accordance with the requirements of Law of Georgia on Accounting, Reporting and Auditing;
- The Management Report for the year ended 31 December 2023 includes the information required by the Law of Georgia on Accounting, Reporting and Auditing; and;
- The information provided in the Management Report is consistent, in all material respects, with the audited consolidated financial statements for the year ended 31 December 2023.

The consolidated financial statements and Management Report of the Group for the year ended 31 December 2023 were approved by management on 2 August 2024.

On behalf of Management:



Irakli Gogolishvili
General Director

Tbilisi, Georgia
2 August 2024

Giorgi Chitashvili
Financial Director

Tbilisi, Georgia
2 August 2024

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Owner and Management of Anagi LLC:

Opinion

We have audited the consolidated financial statements of Anagi LLC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2023, and notes to the consolidated financial statements, including a summary of accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2023 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

We communicate with 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.

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Report on Other Legal and Regulatory Requirements

Management is responsible for the preparation of the management report in accordance with the Law of Georgia on Accounting, Reporting and Auditing ("the Law"), and for such internal control as management determines is necessary to enable the preparation of the management report that is free from material misstatement, whether due to fraud or error.

We performed procedures with respect to whether the management report is prepared in accordance with the requirements of the Law and includes the information required by the Law.

We have selected and performed procedures based on our judgment, including but not limited to inquiries, analysis and review of documentation, comparison of the Group's policies, procedures, methodologies and reported information with the requirements of the Law, as well as recalculations, comparisons and reconciliations of numeric values and other information.

In our opinion:

- The management report for the year ended 31 December 2023 is prepared in accordance with the requirements of Law of Georgia on Accounting, Reporting and Auditing;
- The management report for the year ended 31 December 2023 includes the information required by the Law of Georgia on Accounting, Reporting and Auditing;
- The information provided in the Management Report is consistent, in all material respects, with the consolidated financial statements for the year ended 31 December 2023.

Shota Nanitashvili
on behalf of Deloitte and Touche LLC

Deloitte & Touche

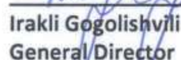
2 August 2024
Tbilisi, Georgia

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(In thousands of Georgian Lari)

	Notes	2023	2022
Revenue	5	412,653	355,524
Cost of sales	6	(369,635)	(322,767)
Gross profit		**43,018**	**32,757**
General and administrative expenses	7	(21,339)	(20,698)
Impairment of financial assets	12, 13, 15	(6,405)	(2,726)
Changes in fair value of the investments carried at FVTPL		1,850	(2,799)
Income from amortisation of deferred day 1 gain		2,523	1,917
Finance income		4,817	3,155
Finance cost		(7,681)	(9,518)
Share of profits of associates	10	5,299	14,587
Foreign exchange loss, net		(2,447)	(10,787)
Other Income		4,353	1,918
Other expenses		(3,469)	(2,090)
Profit before income tax		**20,519**	**5,716**
Income tax expense		(583)	(2,482)
Total comprehensive Income for the year		**19,936**	**3,234**
Income attributable to:			
Owner		19,818	3,662
Non-controlling interests		118	(428)
		19,936	**3,234**

On behalf of Management:



Irakli Gogolishvili
General Director

Tbilisi, Georgia
2 August 2024

Giorgi Chitashvili
Financial Director

Tbilisi, Georgia
2 August 2024

The notes on pages 9-41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(In thousands of Georgian Lari)

	Notes	31 December 2023	31 December 2022
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	28,242	21,681
Intangible assets		1,277	1,267
Investment property	9	2,627	2,724
Investments in associates	10	38,130	24,261
Construction contract assets	11	9,153	11,572
Prepayments	16	562	2,512
Trade and other receivables	15	14,783	9,180
Investments in financial assets carried at FVTPL	13	4,444	10,201
Loans issued	12	7,466	7,104
Total non-current assets		**106,684**	**90,502**
CURRENT ASSETS:			
Inventory	14	78,925	38,291
Investments in financial assets carried at FVTPL	13	11,459	3,054
Loans issued	12	11,377	8,021
Construction contract assets	11	161,123	131,948
Trade and other accounts receivable	15	16,037	19,539
Prepayments	16	49,166	45,314
Restricted cash	17	30,522	12,644
Cash and cash equivalents	17	37,666	11,515
Total current assets		**396,275**	**270,326**
TOTAL ASSETS		**502,959**	**360,828**
OWNER'S EQUITY AND LIABILITIES			
OWNER'S EQUITY:			
Charter capital		5	5
Retained earnings		116,586	102,475
Equity attributable to the Owner of the Group		116,591	102,480
Non-controlling interests		1,689	1,571
TOTAL EQUITY		**118,280**	**104,051**
NON-CURRENT LIABILITIES:			
Advances received	18	49,682	36,051
Provision for possible defects		1,063	848
Trade and other payables	19	3,975	4,259
Total non-current liabilities		**54,720**	**41,158**
CURRENT LIABILITIES:			
Trade and other payable	19	64,660	37,384
Taxes payable other than income tax		13,743	4,786
Advances received	18	233,361	106,892
Dividends payable		1,195	1,167
Borrowings	20	15,671	62,336
Deferred 'day one' gains		1,329	3,054
Total current liabilities		**329,959**	**215,619**
TOTAL LIABILITIES		**384,679**	**256,777**
TOTAL EQUITY AND LIABILITIES		**502,959**	**360,828**

On behalf of Management:

Irakli Gogolishvili
General Director

Tbilisi, Georgia
2 August 2024

Giorgi Chitashvili
Financial Director

Tbilisi, Georgia
2 August 2024

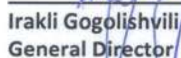
The notes on pages 9-41 form an integral part of these consolidated financial statements

ANAGI GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(In thousands of Georgian Lari)

	Charter capital	Retained earnings attributable to owner	Total equity attributable to owner	Non-controlling interest	Total equity
Balance at 1 January 2022	**5**	**112,735**	**112,740**	**2,203**	**114,943**
Total comprehensive income for the year	-	3 ,662	**3,662**	(428)	**3,234**
Dividends declared	-	(13 ,922)	**(13,922)**	(204)	**(14,126)**
Balance at 31 December 2022	**5**	**102,475**	**102,480**	**1,571**	**104,051**
Total comprehensive income for the year	-	19,818	**19,818**	118	**19,936**
Dividends declared	-	(5,707)	**(5,707)**	-	**(5,707)**
Balance at 31 December 2023	**5**	**116,586**	**116,591**	**1,689**	**118,280**

On behalf of Management:



Irakli Gogolishvili
General Director

Tbilisi, Georgia
2 August 2024

Giorgi Chitashvili
Financial Director

Tbilisi, Georgia
2 August 2024

The notes on pages 9-41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In thousands of Georgian Lari)

	Notes	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers under construction contracts		601,736	435,045
Receipts from other customers		10,561	9,485
Payments to suppliers		(364,983)	(316,029)
Payments to employees		(76,430)	(54,257)
Payments for other operating expenses		(641)	(515)
Cash generated from operations		**170,243**	**73,729**
Interest paid		(12,491)	(10,799)
Income tax paid		(1,077)	(2,849)
Taxes paid other than on income tax		(50,180)	(35,837)
Net cash generated from/(used in) operating activities		**106,495**	**24,244**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment and investment property		440	1,581
Acquisition of property plant and equipment and investment property		(14,867)	(5,659)
Receipts from loans issued		1,695	36,445
Proceeds from investments in financial assets carried at FVTPL		1,638	300
Purchase of investments in financial assets carried at FVTPL		(1,638)	(1,815)
Issuance of loans		(8,640)	(33,957)
Placement of term deposits		-	(7,539)
Withdrawal of the term deposits		-	12,127
Cash received from the settlements of the bond		-	676
Interest received		3,116	2,509
Purchase of investments in associates		(1)	(100)
Dividend received from associates		2,331	1,729
Placement of restricted cash	17	(68,174)	(12,644)
Withdrawal of restricted cash	17	50,255	-
Net cash used in investing activities		**(33,845)**	**(6,347)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	20	416,665	385,452
Repayment of borrowings	20	(461,502)	(382,524)
Dividends paid to the Owner of the Group and NCI shareholders	21	(1,183)	(13,468)
Net cash (used in)/generated from by financing activities		**(46,020)**	**(10,540)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		26,630	7,357
Effect of exchange rate changes on the balance of cash held in foreign currencies		(479)	(687)
CASH AND CASH EQUIVALENTS, at beginning of the period	17	**11,515**	**4,845**
CASH AND CASH EQUIVALENTS, at end of the period	17	**37,666**	**11,515**

On behalf of Management:

Irakli Gogolishvili
General Director

Tbilisi, Georgia
2 August 2024

Giorgi Chitashvili
Financial Director

Tbilisi, Georgia
2 August 2024

The notes on pages 9-41 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Anagi LLC (the "Company") was incorporated on 13 November 1989 in Georgia. The principal activity of the Company is construction. The Company offers a full or partial package of project-construction works including:

- Construction of residential, hotel, public, manufacturing and civil buildings or set of buildings;
- Management of construction projects and project activities;
- Design, decoration, finishing and MEP (mechanical, electrical, and plumbing) works;
- Production of construction designs and products, including: manufacturing of monolithic concrete, metal, carpentry, metal-plastic, aluminum, partition and small wall blocks.
- Advisory services regarding the organization, technology, legal procedures, and other directions of the field.

The Company is a parent of a group of companies incorporated in Georgia (together referred to as the "Group" or "Anagi Group"), whose primary business activities include concrete production, renting construction vehicles and equipment, and real estate development.

As at 31 December 2023 and 2022, the sole shareholder of Anagi LLC was Mrs. Nana Aroshidze, while the Company was effectively controlled by Mr. Zaza Gogotishvili.

These consolidated financial statements include the following principal subsidiaries:

Subsidiary	31 December 2023 Ownership/ voting %	31 December 2022 Ownership/ voting %	Industry
LLC Anagi Betoni	65.0%	65.0%	Concrete production
LLC Anagi Mechanization	60.0%	60.0%	Renting construction equipment
LLC Anagi Batumi	100.0%	100.0%	Real estate development
LLC Anagi Education	100.0%	100.0%	Construction of school
LLC Anagi Hotel Development	100.0%	100.0%	Real Estate Development

Non-controlling interests in Anagi Betoni LLC was owned by Mr Zaza Gogotishvili with 35% as at 31 December 2023 and 2022.

Non-controlling interests in Anagi Mechanization LLC were owned by Mr Ibrahim Shalikadze, David Shalikadze and Irakli Gogolishvili with 25%, 10% and 5% ownership, respectively, as at 31 December 2023 and 2022.

Associate	31 December 2023 Ownership/ voting %	31 December 2022 Ownership/ voting %	Industry
JSC Supsa Energy	50 %	50 %	Energy
LLC GTC Rent	50 %	50 %	Renting Construction Equipment
LLC GTC Trading	50 %	50 %	Renting Construction Equipment
LLC Green Cape - Botanico	49 %	49 %	Real Estate Development
LLC Capital Company 1	50 %	50 %	Renting commercial spaces
LLC Deka Construction	50 %	50 %	Construction
LLC Deka Development	50 %	50 %	Real Estate Development
LLC Deka Didi Dighomi	50 %	50 %	Real Estate Development
LLC Deka Verona	50 %	50 %	Real Estate Development
LLC Deka Lisi	50%	-	Real Estate Development
LLC Anagi Development 2	50 %	50 %	Real Estate Development
LLC H 1	50 %	50 %	Real Estate Development
LLC H 2	50 %	50 %	Real Estate Development
LLC Georgian-American Academy Progress	45%	45%	Education
LLC Ibis Styles Batumi	50%	50%	Real Estate Development
LLC Batumi Beach Resorts	50%	50%	Real Estate Development
LLC GR Development	50%	-	Real Estate Development
LLC International Logistic Company	50%	-	Real Estate Development
LLC Warehouse Wolt	50%	-	Real Estate Development
LLC Capital Company 3	50%	-	Real Estate Development

The Company is the Group's main operating unit and accounts for most of the Group's activities. The Company's principal and registered address is at #37-39 Kostava Avenue, Tbilisi, Georgia.

As at 31 December 2023 and 2022, the Group employed 2,581 and 1,718 employees, respectively.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies	Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, Group has not applied any of the new and revised IFRS Standards that have been issued but are not yet effective:

Amendment to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The management of Group does not anticipate that the application of the Standards in the future will have a material impact on the separate and consolidated financial statements.

3. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation - These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

Management has, at the time of approving these consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset and liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

The principal accounting policies are set out below.

Functional and presentation currency - The national currency of Georgia is the Georgian Lari ("GEL"), which is the functional currency of the Company, its subsidiaries and associates and the currency in which the Group's consolidated financial statements are presented. All amounts presented in the consolidated financial statements have been rounded to the nearest thousand.

Basis of consolidation - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries - Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations - Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.
When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and

circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates - Associates are entities over which the Company has significant influence (directly or indirectly), but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated statement of profit or loss and other comprehensive income as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss.

Foreign currencies - In preparing the consolidated financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing by National Bank of Georgia at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing by National Bank of Georgia at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing by National Bank of Georgia at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2023	31 December 2022
GEL/1 US Dollar	2.6894	2.7020
GEL/1 Euro	2.9753	2.8844

Property, plant and equipment - Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. Costs of minor repairs and maintenance are expensed when incurred.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income within other operating income and expenses.

Depreciation - Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Categories of property, plant and equipment	Depreciation rates
Machinery	20%
Vehicles	20%
Buildings	5%
Office equipment	20%

Construction in progress is not depreciated until it will be ready for use.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property - Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost net of accumulated depreciation and recognized impairment loss. Depreciation is calculated on a straight line basis over the useful life of the assets, which on buildings is 5%. Freehold land is not depreciated.

For impairment analysis and disclosure purposes Group determines market value of investment property internally. Group holds relevant professional qualification for investment property valuation.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost for accounting purposes. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Intangible assets - The Group's intangible assets other than goodwill have definite useful lives and primarily include acquired computer and accounting software licences which are stated at cost less accumulated amortisation. Intangible assets are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use. The estimated useful live for computer software licenses are determined to be 5 years and accounting software for 10 years.

Impairment of tangible and intangible assets - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash- generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss.

Prepayments - Prepayments are carried at cost less allowance for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Advances received - Advances received represents advances received for the construction contracts. Liability arising from advances received are recognized when consideration from a client is received. Advances received is decreased as works are performed and delivered to the client. Advances received are classified as either current or non-current depending on the agreed delivery terms.

Income taxes - Income taxes have been provided for in accordance with Georgian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses. The Group´s liability for current tax is calculated as a sum of tax liability of each consolidated entity.

In May 2016, the parliament of Georgia approved a change in the current corporate taxation model, with changes applicable on 1 January 2017 for all entities apart from certain financial institutions. The changed model implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the Group's profit before tax, regardless of the retention or distribution status.

The amendments to the Georgian tax law described above also provide for charging income tax on certain transactions that are considered as profit distributions, e.g. some transactions at non-market prices, non-business related expenses or supply of goods and services free of charge. Taxation of such transaction is outside scope of IAS 12 *Income Taxes* and is accounted similar to taxes other than on income starting from 1 January 2017 in accordance with IAS 37 provisions when respective transactions occur; respective reimbursements if any are recognized as assets when the reimbursement is virtually certain.
The Group recognizes tax asset due from Revenue Service under Georgian tax law, when the Group issues a loan to non-residents. Tax assets is set off and recovered when the loan is repaid.

Value added tax ('VAT') - Output VAT related to sales is payable to tax authorities upon delivery of the goods to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a net basis per each Group entity and disclosed as either an asset or a liability. Where allowance has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories - Inventories are stated at the lower of cost and net realisable value. The cost of 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. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Initial recognition of financial instruments - All financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

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.

Classification of financial assets – Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below)
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below)

All financial instruments and operations performed by the Group are pointed to collect contractual cash flows which are solely payments of principal and interest on the principal amount outstanding, except for Investments in Financial Assets Carried at FVTPL, which are held to collect investment income together with contractual cash flows.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Changes in fair value of the investments carried at FVTPL' line item. Fair value is determined in the manner described in Note 24.

Construction contract assets, trade and other receivables and loans issued - Construction contract assets, trade and other receivables and loans issued are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents - Cash and cash equivalents comprise cash on hand and cash deposited in banks due on demand or with original maturities of less than three months. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Term deposits in banks - Term deposits in banks comprises cash deposited in banks with original maturities of more than three months. Term deposits in banks are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group 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). The Group provides 12-months ECLs for cash and bank balances.

For trade and other receivables and construction contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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 all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For approach of PD estimations the Group uses historical PDs produced by the rating agencies.

The Group performs the individual assessment for the issued loans. Significant financial difficulties of the counterparty, probability that the counterparty will suffer bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the issued loans is potentially impaired. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Uncollectible assets are written off against the related impairment loss allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

Derecognition of financial assets - The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities and equity instruments

Classification as debt or equity - Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments - An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities - The Group's financial liabilities include trade and other payables and borrowings.

Trade and other payables - Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade and other payables are stated inclusive of value added tax.

Borrowings - Borrowings are recognised initially at their fair values less transaction costs incurred. Fair value is determined using the prevailing market rate of interest for a similar instrument. Subsequent to initial recognition, borrowings are carried at amortised cost using the effective interest method, with any difference between the amount at initial recognition and redemption amount being recognised in profit or loss as an interest expense over the period of the borrowings.

Charter capital - The amount of authorised charter capital is defined by the Group's charter. The changes in the Group's charter shall be made only based on the decision of the Group's owner. The authorised capital is recognised as charter capital in the equity of the Company to the extent that it was contributed by the owner to the Group.

Dividends - Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

Provisions for liabilities and charges - Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Revenue recognition - Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Group generates revenue from construction contracts, sale of goods, and operating rent income. The Group's policy for revenue recognition described below: Construction contracts, Sales of goods and Leasing.

Construction contracts - Revenue from construction contracts is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Management considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.
When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as unbilled construction contract assets. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts construction contract liabilities. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under billed construction contract assets.

The performance obligations the Group has under its contracts with customers are satisfied and revenue is recognized over time. The Group transfers service over time and, therefore, satisfies a performance obligation and recognises revenue over time, based on the assumption that the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Sale of goods - Revenue from the sale of goods is recognised when the control has transferred, being when the goods are delivered and titles have passed and at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income - Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.
Group as a lessee - The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Finance income and expenses - Finance income and expenses comprise interest expense on borrowings, interest income on loans issued and term deposits in banks.

Employee benefits - Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments. Starting from 1 January 2019 the Group has legal obligation to make pension amounting to 2% of employees gross salaries and benefits.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Group's management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Completion stage. The Group determines when performance obligations are met and thus, recognizes construction revenue by determination of the completion of a physical proportion of the work for each construction contract. The management estimates the stage of completion of a contract by assessing actual number work units completed as at reporting date and total number of work units to be completed for the whole contract.

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Tax legislation and accounting for provisions. The Group's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the consolidated statement of financial position date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date. Actual charges could differ from these estimates.

Impairment of financial assets and prepayments. The Group creates allowances to account for estimated losses resulting from the inability of customers to make the required payments or suppliers to deliver agreed products or service. When evaluating the adequacy of an expected losses, management bases its estimate on current overall economic conditions, ageing of the receivables and prepayments balances, historical write-off experience, customer and supplier creditworthiness and changes in payment terms. Changes in the economy,

industry or specific customer and supplier conditions may require adjustments to the expected losses recorded in the consolidated financial statements.

5. REVENUE

During the years ended 31 December 2023 and 2022, revenue of the Group consisted of:

	2023	**2022**
Construction contract revenue	400,536	341,037
Revenue from sale of goods	11,772	14,006
Other revenue	345	481
Total	**412,653**	**355,524**

6. COST OF SALES

During the years ended 31 December 2023 and 2022, cost of sales of the Group consisted of:

	2023	**2022**
Construction contract cost of sales	352,202	304,243
Cost of materials sold	17,433	18,524
Total	**369,635**	**322,767**

Construction contract cost of sales consisted of:

	2023	**2022**
Cost of materials	131,305	101,861
Payroll and related charges	95,973	51,688
Cost of service	95,372	131,055
Short-term leases	13,131	10,946
Bank charges	6,397	1,756
Depreciation expense	3,253	3,746
Cost of defects	1,704	245
Cost of utilities	1,609	1,209
Transportation costs	1,069	1,440
Professional service cost	673	315
Expected defects	215	(201)
Insurance expenses	204	177
Permissions and subscriptions	193	-
Communication expense	51	-
Other	1,053	6
Total	**352,202**	**304,243**

7. GENERAL AND ADMINISTRATIVE EXPENSES

During the years ended 31 December 2023 and 2022, general and administrative expenses consisted of:

	2023	2022
Payroll and related charges	13,481	16,121
Depreciation and amortization	2,350	465
Service Cost	1,076	847
Communication expenses	856	149
Office expenses	605	148
Bank expenses	512	1,401
Rent	468	436
Repair expenses	416	214
Marketing expenses	303	95
Tax and duties	198	211
Utility Cost	194	143
Insurance expense	144	118
Transportation cost	95	-
Other	641	350
Total	**21,339**	**20,698**

8. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the years ended 31 December 2023 and 2022 was as follows:

	Land	Buildings	Construction in progress	Vehicles	Machinery	Office Equipment	Total
Cost at 1 January 2022	**1,458**	**8,829**	**5**	**10,426**	**30,432**	**2,580**	**53,730**
Additions	45	436	41	882	4,599	374	6,377
Disposals	-	(70)	-	(614)	(7,669)	(1)	(8,354)
Cost at 31 December 2022	**1,503**	**9,195**	**46**	**10,694**	**27,362**	**2,953**	**51,753**
Additions	-	95	-	6,223	5,848	1,340	13,506
Disposals	-	(41)	-	(1,319)	(1,341)	(202)	(2,903)
Cost at 31 December 2023	**1,503**	**9,249**	**46**	**15,598**	**31,869**	**4,091**	**62,356**
Accumulated depreciation at 1 January 2022	-	**1,311**	-	**5,811**	**22,333**	**1,973**	**31,428**
Charge for the year	-	297	-	1,183	3,762	316	5,558
Eliminated on disposal	-	(48)	-	(224)	(6,642)	-	(6,914)
Accumulated depreciation at 31 December 2022	-	**1,560**	-	**6,770**	**19,453**	**2,289**	**30,072**
Charge for the year	-	369	-	1,328	3,280	423	5,400
Eliminated on disposal	-	-	-	(234)	(1,019)	(105)	(1,358)
Accumulated depreciation at 31 December 2023	-	**1,929**	-	**7,864**	**21,714**	**2,607**	**34,114**
Net carrying amounts							
As at 1 January 2022	**1,458**	**7,518**	**5**	**4,615**	**8,099**	**607**	**22,302**
As at 31 December 2022	**1,503**	**7,635**	**46**	**3,924**	**7,909**	**664**	**21,681**
As at 31 December 2023	**1,503**	**7,320**	**46**	**7,734**	**10,155**	**1,484**	**28,242**

As at 31 December 2023 and 2022, cost of fully depreciated assets included in property, plant and equipment was GEL 14,707 thousand and GEL 15,345 thousand, respectively.

As at 31 December 2023 and 2022, property, plant and equipment with the carrying value of GEL 28,242 thousand and GEL 20,600 thousand, respectively, were pledged as collateral for bank guarantees.

9. INVESTMENT PROPERTY

Movement of investment property for the years ended 31 December 2023 and 2022 was as follows:

	Land	Buildings	Total
Cost at 1 January 2022	**1,114**	**2,571**	**3,685**
Disposals	-	(331)	**(331)**
Cost at 31 December 2022	**1,114**	**2,240**	**3,354**
Cost at 31 December 2023	**1,114**	**2,240**	**3,354**
Accumulated depreciation at 1 January 2022	**-**	**588**	**588**
Charge for the year	-	78	**78**
Eliminated on disposals	-	(36)	**(36)**
Accumulated depreciation at 31 December 2022	**-**	**630**	**630**
Charge for the year	-	97	**97**
Accumulated depreciation at 31 December 2023	**-**	**727**	**727**
Net carrying amounts			
As at 31 December 2022	**1,114**	**1,610**	**2,724**
As at 31 December 2023	**1,114**	**1,513**	**2,627**

The land plots classified as investment property are located in Tbilisi and Kobuleti.

The fair value of the Company's investment property at 31 December 2023 and 2022, has been arrived at on the basis of a valuation carried out on the respective date by the Company's internal valuators. They have appropriate experience in the valuation of properties in the relevant locations.

The fair value of the investment property was determined in USD based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the investment property as at 31 December 2023 and 2022, was GEL 7,239 thousand and GEL 6,811 thousand, respectively.

10. INVESTMENTS IN ASSOCIATES

		Proportion of ownership interest held by the Group		Carrying amount of the Group's investment	
Name of associate	**Principal activity**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**
LLC H-2	Real Estate Development	50%	50%	11,182	9,156
LLC GTC Trading	Renting construction equipment	50%	50%	7,937	7,688
LLC GTC Rent	Renting construction equipment	50%	50%	6,190	5,200
LLC H-1	Real Estate Development	50%	50%	71	808
LLC Capital Company 1	Renting commercial spaces	50%	50%	228	478
JSC Supsa Energy	Energy	50%	50%	377	382
LLC Georgian-American Academy Progress	Education	45%	45%	4,160	385
LLC Deka Construction	Construction	50%	50%	846	164
LLC Deka Lisi	Real Estate Development	50%	0%	7,138	-
LLC Capital Company 3	Real Estate Development	50%	0%	1	-
LLC GR Development	Real Estate Development	50%	0%	-	-
LLC Batumi Beach Resort	Real Estate Development	50%	50%	-	-
LLC Green Cape - Botanico	Real Estate Development	49%	49%	-	-
LLC Deka Development	Real Estate Development	50%	50%	-	-
LLC Deka Didi Dighomi	Real Estate Development	50%	50%	-	-
LLC Deka Verona	Real Estate Development	50%	50%	-	-
LLC Anagi Development 2	Real Estate Development	50%	50%	-	-
LLC Ibis Styles Batumi	Real Estate Development	50%	50%	-	-
LLC International Logistic Company	Real Estate Development	50%	0%	-	-
LLC Warehouse Wolt	Real Estate Development	50%	0%	-	-
				38,130	**24,261**

All of the above associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in Note 3.

The Group's share of the associates' profits amounted to GEL 5,299 thousand in 2023 (2022: GEL 14,587 thousand).

11. CONSTRUCTION CONTRACT ASSETS

	31 December 2023	**31 December 2022**
Billed amount due from costumers under construction contracts	64,998	91,003
Unbilled amount due from costumers under construction contracts	121,175	63,801
	186,173	**154,804**
Less: allowance for expected credit loss	(15,897)	(11,284)
Total	**170,276**	**143,520**
Current term portion	**161,123**	**131,948**
Non-current portion	**9,153**	**11,572**
	170,276	**143,520**

As at 31 December 2023 and 2022, construction retentions in construction receivables were GEL 7,756 thousand and GEL 15,238 thousand, respectively.

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Company does not hold any collateral over these balances.

Movement in the allowance for expected credit loss for trade and other receivables are as follows:

	2023	2022
Balance as at the beginning of the year	**11,284**	**10,647**
Additional provisions recognized	11,098	5,268
Recovery of provisions	(6,485)	(4,631)
Balance as at the end of the period	**15,897**	**11,284**

The following table details the risk profile of construction contract assets:

31 December 2023	Not past due	- less than 30 days overdue	- 30 to 60 days overdue	- 61 to 90 days overdue	- over 90 days overdue	Total
Expected credit loss rate	5.1%	10.0%	20.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	174,950	4,306	313	108	6,496	**186,173**
Lifetime ECL	(8,853)	(431)	(63)	(54)	(6,496)	**(15,897)**

31 December 2022	Not past due	- less than 30 days overdue	- 30 to 60 days overdue	- 61 to 90 days overdue	- over 90 days overdue	Total
Expected credit loss rate	2.1%	10.0%	20.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	137,499	9,145	433	616	7,111	**154,804**
Lifetime ECL	(2,863)	(915)	(87)	(308)	(7,111)	**(11,284)**

The table below provides a credit risk rating grade disclosures:

	31 December 2023		
	Lifetime ECL - not credit- impaired	Lifetime ECL – credit-impaired	Total
Non-overdue	(8,853)	-	(8,853)
0-30 past due	(431)	-	(431)
30-60 past due	(63)	-	(63)
60-90 past due	(54)	-	(54)
90> past due	-	(6,496)	(6,496)
Total	**(9,401)**	**(6,496)**	**(15,897)**

	31 December 2022		
	Lifetime ECL - not credit- impaired	**Lifetime ECL – credit-impaired**	**Total**
Non-overdue	(2,863)	-	**(2,863)**
0-30 past due	(915)	-	**(915)**
30-60 past due	(87)	-	**(87)**
60-90 past due	(308)	-	**(308)**
90> past due	-	(7,111)	**(7,111)**
Total	**(4,173)**	**(7,111)**	**(11,284)**

12. LOANS ISSUED

	2023	2022
Gross loans issued	19,360	15,824
Less - allowance for impairment	(517)	(699)
Loans issued, net	**18,843**	**15,125**
Non-current portion of loans issued	11,377	7,104
Current portion of loans issued	7,466	8,021
Total	**18,843**	**15,125**

Movement in the allowance for expected credit loss for issued loans are as follows:

	31 December 2023	31 December 2022
Balance as at the beginning of the year	**699**	**868**
Additional provisions recognized	109	277
Recovery of provisions	(291)	(446)
Balance as at the end of the period	**517**	**699**

13. INVESTMENTS IN FINANCIAL ASSETS CARRIED AT FVTPL

	31 December 2023	31 December 2022
Investment in Green Cape – Botanico LLC	8,592	9,540
Investment in Deka Development LLC	4,444	3,715
Investment in Deka Verona LLC	2,867	-
Total	**15,903**	**13,255**
Current	11,459	3,054
Non-current	4,444	10,201

By the end of 2023, the Group made an investment in Deka Verona LLC. As a result, the Group generated ‘day one’ gain which is deferred in amount of GEL 798 thousand. Realised deferred gains in 2023 and 2022 is GEL 2,523 and 1,917, respectively. As at 31 December 2023 and 2022 the balance of deferred ‘day one’ gain is GEL 1,329 thousand and GEL 3,054 thousand, respectively.

14. INVENTORIES

	31 December 2023	31 December 2022
Raw materials	75,128	38,059
Spare parts and consumables	2,870	3,035
Other	3,504	9
Total gross inventory	**81,502**	**41,103**
Less: provision for inventory losses	(2,577)	(2,812)
Inventory, net	**78,925**	**38,291**

Movement in the allowance for obsolete inventory is as follows:

	2023	2022
Balance as at the beginning of the year	**2,812**	**2,362**
(Recovery)/provision of inventory losses	(235)	450
Balance as at the end of the period	**2,577**	**2,812**

15. TRADE AND OTHER RECEIVABLES

	2023	2022
Trade receivable	37,902	34,248
Due from employees	54	24
Less: allowance for expected credit loss	(7,136)	(5,553)
Trade and other receivables, net	**30,820**	**28,719**
Non-current portion of trade and other receivables	14,783	9,180
Current portion of trade and other receivables	16,037	19,539
	-	
Total	**30,820**	**28,719**

Movement in the allowance for expected credit loss for trade and other receivables are as follows:

	2023	2022
Balance as at the beginning of the year	**5,553**	**3,359**
Accrual	1,912	3,091
Recovery of provisions	(329)	(897)
Balance as at the end of the period	**7,136**	**5,553**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

The following table details the risk profile of trade and other receivables:

31 December 2023	**Not past due**	**- less than 30 days overdue**	**- 30 to 60 days overdue**	**- 61 to 90 days overdue**	**- over 90 days overdue**	**Total**
Expected credit loss rate	4.50%	10.00%	20.00%	50.00%	100.00%	
Estimated total gross carrying amount at default	31,079	728	304	475	5,370	**37,956**
Lifetime ECL	(1,395)	(73)	(61)	(237)	(5,370)	**(7,136)**

31 December 2022	**Not past due**	**- less than 30 days overdue**	**- 30 to 60 days overdue**	**- 61 to 90 days overdue**	**- over 90 days overdue**	**Total**
Expected credit loss rate	3.8%	10.0%	20.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	28,909	923	59	30	4,327	**34,248**
Lifetime ECL	(1,107)	(92)	(12)	(15)	(4,327)	**(5,553)**

The table below provides a credit risk rating grade disclosures:

	30 December 2023		
	Lifetime ECL - not credit-impaired	**Lifetime ECL – credit-impaired**	**Total**
Non-overdue	(1,396)	-	**(1,396)**
0-30 past due	(73)	-	**(73)**
30-60 past due	(61)	-	**(61)**
60-90 past due	(237)	-	**(237)**
90> past due	-	(5,370)	**(5,370)**
Total	**(1,767)**	**(5,370)**	**(7,137)**

	31 December 2022		
	Lifetime ECL - not credit-impaired	**Lifetime ECL – credit-impaired**	**Total**
Non-overdue	(1,107)	-	**(1,107)**
0-30 past due	(92)	-	**(92)**
30-60 past due	(12)	-	**(12)**
60-90 past due	(15)	-	**(15)**
90> past due	-	(4,327)	**(4,327)**
Total	**(1,226)**	**(4,327)**	**(5,553)**

16. PREPAYMENTS

	31 December 2023	31 December 2022
Prepayments for service	35,068	25,857
Prepayments for inventory	13,791	18,966
Prepayments to Employees	2,385	1,075
Prepayments for property, plant and equipment	724	2,550
Other prepayments	204	358
	52,172	**48,806**
Less: allowance for provision	(2,444)	(980)
Total amount	**49,728**	**47,826**
Current	49,166	45,314
Non-current	562	2,512
Total	**49,728**	**47,826**

Movement in the allowance for irrecoverable amount of prepayments is as follows:

	31 December 2023	31 December 2022
Balance as at the beginning of the year	**980**	**505**
Accrual	1,901	822
Recovery of provisions	(437)	(347)
Balance as at the end of the period	**2,444**	**980**

17. CASH AND CASH EQUIVALENTS AND RESTRECTED CASH

	31 December 2023	31 December 2022
Cash in bank	37,666	11,515
Total	**37,666**	**11,515**

Restricted Cash – the Group classifies as restricted cash all cash use of which is otherwise limited by contractual provisions towards customers. As at 31 December 2023 and 2022 the Group had GEL 30,522 thousand and GEL 12,644 thousand as a restricted cash, respectively.

18. ADVANCES RECEIVED

Advances received represents advances received for the construction contracts from various customers.

	31 December 2023	31 December 2022
Current	233,361	106,892
Non-current	49,682	36,051
Total	**283,043**	**142,943**

The following table shows how much of the revenue recognized in the current reporting period relates to brought-forward advances received.

	2023	2022
Revenue recognized in the current reporting period relating to brought-forward advances received	91,294	55,426

19. TRADE AND OTHER PAYABLE

	31 December 2023	31 December 2022
Trade payables for sub-contractor's service	24,332	23,737
Salaries payable	17,678	4,615
Trade payables for inventory	15,332	11,240
Payables for acquisition of associates	7,835	540
Payables for non-current assets	1,506	806
Other payables	1,952	705
Total	**68,635**	**41,643**
Non-current	3,975	4,259
Current	64,660	37,384

20. BORROWINGS

	Currency	Interest rate	Maturity	31-Dec-23	31-Dec-22
Borrowings:					
JSC Bank of Georgia	EUR / USD / GEL	7,5%/10.5% / 15.5%	2024	7,884	34,939
JSC TBC Bank	GEL	9,2%/15.5%	2024	6,810	26,581
LLC Orbi Group Batumi	GEL	0.00%	-	300	-
Nana Aroshidze	USD	0.00%	2023	-	135
Din and Partners LLC	USD	0.00%	2024	677	681
Total				**15,671**	**62,336**
Long-term portion				-	-
Short-term portion				15,671	62,336
Total				**15,671**	**62,336**

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	1 January 2023	Financing cash flows (i)	Interest changes (ii)	Foreign exchange loss/(gain)	Other changes	31 December 2023
Borrowings	62,336	(44,837)	(1,434)	820	(1,214)	15,671

	1 January 2022	Financing cash flows (i)	Interest changes (ii)	Foreign exchange loss/(gain)	Other changes	31 December 2022
Borrowings	61,562	2,928	(1,611)	(543)	-	62,336

i) The financing cash flows represents the net amount of proceeds from borrowings and repayments of borrowings in the separate statement of cash flows.
ii) Interest changes include interest accruals and payments.

21. EQUITY

Charter capital represents the nominal amount of capital of the Company.

During the year the Company declared dividends in the amount of GEL 5,707 thousand including personal income tax (GEL 5,421 thousand excluding taxes), out of which Company paid GEL 1,183 thousand by cash and netted off remaining 4,238 thousand with loans issued to shareholder in 2023.

During 2022 Company declared and paid by cash GEL 13,922 thousand dividend including personal income tax (GEL 13,226 thousand excluding taxes).

22. FINANCIAL INSTRUMENTS

Fair value measurements- 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 estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Georgia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The fair value of cash and cash equivalents was determined using level 1 measurement. The fair values of all other financial assets and liabilities were determined using level 3 measurement. The level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique for which comparable market prices have been used. Estimated fair values do not materially differ from their carrying amounts.
The Group measures fair value of its Investments in Financial Assets Carried at FVTPL at the end of each reporting period using the discounted cash flow method (Level 3 fair value hierarchy): expected future cash flows of the investments are estimated based on the current and forecasted market conditions and discounted using the discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Notwithstanding the above, management considers that the valuation of its investments is currently subject to an increased degree of judgement and an increased likelihood that actual proceeds from investments may differ from their carrying values. The principal assumptions underlying the estimation of the fair value are those relating to the future property prices, sales quantities and discount rates, which vary between 13%-15%. The interrelation between the fair values of the investments and the main inputs are as follows: higher the sales prices/quantity, higher the fair value. By contrast, higher the discount rate, lower the fair value.

Gain from changes in fair value of the investments carried at FVTPL for the year ended 2023 amounted to GEL 1,850 thousand (2022: Loss of GEL 2,799 thousand).

Financial assets carried at amortised cost - The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of construction contract assets, trade and other accounts receivable, loans issued and other financial assets recorded in the consolidated financial statements approximate fair values due to their short term maturities.

Liabilities carried at amortised cost - The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Management of the Group considers that the carrying amounts of financial liabilities recorded in the financial statements approximate their fair values.

Capital risk management – The Group manages its capital to ensure that entity will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. Management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends, as well as taking of new borrowings or redemption of existing ones.

The gearing ratio at end of the reporting period was as follows:

	31 December 2023	31 December 2022
Borrowings	15,671	62,336
Cash and cash equivalents	(37,666)	(11,515)
Net borrowings	(21,995)	50,821
Equity	118,280	104,051
Net debt to equity ratio	-18.6%	48.84%

Major categories of financial instruments – The Group's principal financial liabilities comprise borrowings, and trade and other accounts payable. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has following financial assets: Cash and cash equivalents, construction contract assets, loans issued and trade and other accounts receivable.

	31 December 2023	31 December 2022
Financial assets		
Cash and cash equivalents	37,666	11,515
Restricted cash	30,522	12,644
Construction contract assets	170,276	143,520
Trade and other receivables	30,820	28,719
Loans issued	18,843	15,125
Investments in financial assets carried at FVTPL	15,903	13,255
Total financial assets	**304,030**	**224,778**

	31 December 2023	31 December 2022
Financial liabilities		
Trade and other payables	68,635	41,643
Borrowings	15,671	62,336
Total financial liabilities	**84,306**	**103,979**

The main risks arising from the Group's financial instruments are foreign currency, interest rate, credit and liquidity risks.

Foreign currency risk – Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2023 and 31 December 2022 were as follows:

	31 December 2023		31 December 2022	
	USD	**EUR**	**USD**	**EUR**
	USD 1 = 2.7020 GEL	EUR 1 = 2.8844 GEL	USD 1 = 2.7020 GEL	EUR 1 = 2.8844 GEL
Financial assets				
Cash and cash equivalents	24	30	49	184
Restricted cash	121	-	-	3,420
Construction receivables	35,105	2,377	68,132	989
Trade and other accounts receivables	6,541	10,339	6,496	9,669
Investments in financial assets carried at FVTPL	13,240	-	13,255	-
Loans issued	15,042	3,237	8,124	538
Total financial assets	**70,073**	**15,983**	**96,056**	**14,800**
Financial liabilities				
Trade and other payables	19,719	6,528	12,693	3,235
Borrowings	9,477	2,642	816	508
Total financial liabilities	**29,196**	**9,170**	**13,509**	**3,743**
Total net position	**40,877**	**6,813**	**82,547**	**11,057**

The table below details the Group's sensitivity to strengthening/weakening of functional currency against foreign currencies by 20% as at 31 December 2023 and 31 December 2022. The analysis was applied to monetary items at the reporting date denominated in respective currencies.

As at 31 December 2023:

	USD impact		EUR impact	
	USD/GEL	**USD/GEL**	**EUR/GEL**	**EUR/GEL**
	20%	**– 20%**	**20%**	**– 20%**
Profit/(loss) before tax	8,175	(8,175)	1,363	(1,363)

As at 31 December 2022:

	USD impact		EUR impact	
	USD/GEL	**USD/GEL**	**EUR/GEL**	**EUR/GEL**
	20%	**– 20%**	**20%**	**– 20%**
Profit/(loss) before tax	16,509	(16,509)	2,211	(2,211)

Interest rate risk – Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group has limited exposure to the interest rate risk as it borrows funds only at fixed interest rates.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.
The sensitivity analysis do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group 's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Credit risk – Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. All clients go through client acceptance procedures before forming an agreement with the Group and, as a result, only creditworthy clients are selected. The Group also establishes credit limits to its customers.

The credit risk on cash and cash equivalents and deposits with banks is limited because the counterparties are banks with positive credit ratings (BB-). For cash and cash equivalents and deposits with banks the ECL is calculated using benchmarking the exposure to the risk of default according to the research produced by the international credit agencies (Moody's).

For financial assets or contract assets that do not contain a significant financing component, the Group uses simplified approach of ECL calculation. Under the simplified approach the Group either classifies financial assets into stage 2 or stage 3. The Group measures the loss allowance for financial assets at an amount equal to lifetime ECL.
For trade and other receivables and construction contract assets the expected credit losses are estimated by reference to past default experience of the debtor, financial condition for the year, an analysis of the debtor's overdue days and migration between overdue buckets for the past 3 years.

For loans issued the expected credit loss is individually reviewed and calculated based on the past default experience of the debtor and financial condition for the year.

The expected credit loss on financial assets are estimated by multiplying probability of default by loss given default and by exposure at default.

Liquidity risk – Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as at 31 December 2023 and 31 December 2022 The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because this amount is based on discounted cash flows. The tables include both interest and principal cash flows.

	Weighted-Average Interest rate	Carrying value	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 December 2023								
Borrowings	8.06%	15,671	2,954	4,294	8,955	-	-	**16,204**
Trade and other payables	0%	68,635	29,063	8,097	27,500	3,975	-	**68,635**
		103,979	**60,693**	**35,994**	**4,003**	**4,259**	**-**	**104,949**

	Weighted-Average Interest rate	Carrying value	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 December 2022								
Borrowings	14.56%	62,336	23,309	35,994	4,003	-	-	**63,306**
Trade and other payables	0%	41,643	37,384	-	-	4,259	-	**41,643**
		103,979	**60,693**	**35,994**	**4,003**	**4,259**	**-**	**104,949**

23. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include owner, entities under common ownership and control with the Group and members of key management personnel.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following balances and transactions with related parties:

	31 December 2023			
	Owner	Entities under common control	Other related parties	Total
Trade and other receivables	7,459	14,914	8,528	**30,901**
Construction receivables	2,299	4,481	10,456	**17,236**
Prepayments	-	-	3,403	**3,403**
Loans issued	-	16,449	5,058	**21,507**
Investments in financial assets carried at FVTPL	-	15,903	-	**15,903**
Trade and other payables	-	9,364	7,875	**17,239**
Advances received	-	3,367	-	**3,367**
Construction revenue	-	14,905	-	**14,905**
Other revenue	48	114	2	**164**
Other income	793	504	930	**2,227**
Purchases	-	456	7,887	**8,343**

	31 December 2022			
	Owner	**Entities under common control**	**Other related parties**	**Total**
Trade and other receivables	6,270	4,429	15,167	**25,866**
Construction receivables	2,145	2,688	19,153	**23,986**
Loans issued	-	1,084	10,384	**11,468**
Investments in financial assets carried at FVTPL	-	-	13,255	**13,255**
Trade and other payables	-	464	15,523	**15,987**
Construction revenue	908	1,225	23,146	**25,279**
Other revenue	4,293	314	2,569	**7,176**
Other income	-	169	2,223	**2,392**

The compensation of the key management personnel for the years ended 31 December 2023 and 2022 was GEL 14,916 thousand and GEL 9,335 thousand.

24. COMMITMENTS AND CONTINGENCIES

Commitments – The Group as at 31 December 2023 and 31 December 2022 had contractual construction commitments towards customers as follows:

	31 December 2023		
	USD	**GEL**	**EUR**
Construction commitments	29,497	174,280	3,362

	31 December 2022		
	USD	**GEL**	**EUR**
Construction commitments	54,082	76,151	25,249

Legal proceedings - As at 31 December 2023 and 31 December 2022, the Group was not engaged in any significant litigation proceedings. Management is of the opinion that no material un-accrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes – Georgian tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

Operating environment – Emerging markets such as Georgia are subject to different risks than more developed markets; these include economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to evolve rapidly with tax and regulatory frameworks subject to varying interpretations.

The future economic direction of Georgia is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

In 2023 the Georgian economy demonstrated positive economic dynamics. This trend was also supported by the migration of foreign citizens that caused higher demand on products and services. However, higher demand and therefore increases in prices also contribute to the inflation in Georgia.

Management is unable to predict all developments which could have an impact on the Georgian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

25. EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent events that require disclosure or adjustment in financial statements.

26. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by management and authorized for issue on 2 August 2024.

MANAGEMENT REPORT

1. GROUP AND ITS ACTIVITIES

Anagi is the largest construction company in Georgia. It was founded in 1989 and shortly afterward took up the leading position in the construction sector of the country, currently maintaining this position with dignity.

As at 31 December 2023 and 2022, 100% of Company shares are effectively owned by its ultimate beneficiary Mr Zaza Gogotishvili.

The main activity of Anagi is civil and industrial construction; the scope of its activities includes the full spectrum of the construction field. The company is ready to offer a full-service package to a customer – starting from design works and completing with the commissioning of the site.

Anagi offers a full package of design and construction services or any part, thereof, to interested natural and legal persons, including:

- Construction of hotels, residential, public, industrial buildings, and single-family homes
- Interior design and indoor works
- Exterior finishing works
- Management of design and construction activities
- Provision of motor vehicles and construction machinery services
- Laboratory services to determine the quality of building materials and products, and the compliance with Standards
- Advisory services regarding the organization, technology, legal procedures, and other directions of the field.

Since 2011 Quality Management System – ISO 9001 has been introduced in the company, which continues to function efficiently. In 2017, Anagi successfully completed recertification in accordance with the rules established by the International Organization for Standardization and obtained ISO 9001:2015 certificate. Implementation of modern technologies and systems in management, and in the first place in construction, is the main priority of Anagi.

The company employs highly qualified engineering personnel, most of them having over 10 years of work experience. Currently, the company employs almost 3 000 people.

The Company owns the following subsidiaries as at 31 December 2023:

	Ownership %	Industry
Anagi Betoni LLC	65%	Production of concrete
Anagi Mechanization LLC	60%	Rental of construction machinery
Anagi Batumi LLC	100%	Real estate development
Anagi Hotel Development	100%	Real estate development
Anagi Education	100%	Education

The Company and its subsidiary companies will hereinafter be referred to as the Group.

Anagi Betoni LLC operates a cutting-edge concrete production facility, which manufactures modern construction materials from all classes of concrete. The Company owns an internationally certified laboratory equipped with all the necessary testing devices and equipment manufactured in Italy.

Main activities of **Anagi Mechanization LLC** consist in renting the company-owned construction machinery. Its main customer is the mother company, Anagi LLC. Another activity Anagi Mechanization is involved in is servicing company customers with various construction equipment and systems, such as scaffolding and uprights. The Company provides construction machinery and equipment rentals to any individual or corporate entity. It owns over 125 units of multifunctional machinery serviced by highly qualified and technicians.

Anagi Batumi LLC is mainly involved in development and sale of real estate. Currently, the company is inactive, but owns property in a development project.

Anagi Hotel Development LLC is mainly involved in development and sale of real estate. Currently, the company is inactive, but owns property in a development project.

Anagi Education LLC constructs private school intended for long term operating investment.

2. DEVELOPMENT PLANS OF THE GROUP

Many years of successful activity and experience of Anagi in the construction field allowed the company to obtain high qualifications in the field of construction production and enabled it to develop a flexible and comfortable environment for relations with customers.

Rapidly developing technologies and highly competitive environment creates additional motivation for the company to utilize new, innovative approaches in the construction, as well as in the management. The engineering team, procurement, and technology departments constantly search for, test and implement the innovations offered in the construction sector.

1) Quality Control

I - development of an efficient cooperation mechanism with the production department to serve both the executive and the quality team.

II - Formation of a team of quality engineers and their assistance and provision of appropriate training. Team of internal quality engineers assesses work performed on sites and assists remediation of deficiencies if any. Team is expanding yearly and currently quality control department consists of 45 engineers. In order to provide for efficient experience sharing, raising motivation and refining structure management, the division has established a ranking system, by introducing 5 ranks: senior quality engineer, quality engineer, quality specialist, assistant, and trainee with a trial period, and defined the scope of financial reimbursement.

III - beginning of on-site work, refinement of record-taking and progress control mechanisms, which gives the Company management opportunity to directly observe process and eradicate any deficiency in a quick and effective manner.

IV - Refining normative requirements based on the available experience and information

Synchronisation of normative documents - it has been decided to synchronise the normative base developed in the division with the documents currently effective in the country to simplify communication with customers and their supervisors. About 10 such documents have already been drafted.

2) Construction Technologies

I - employment of engineering staff using the rotation principle in order to maximise the use of leading engineers and experience in the Group.

In order to raise awareness of the issues dealt with by conditional opponents of quality engineers, aka administrators, the Group introduced a medium-term production on-site training for quality engineers, which will improve their knowledge in construction planning, workforce management and existing processes.

II - determining and archiving of the problems found at construction sites;
In order to improve the quality of archiving for the administrative documents managed in the division, the Viber platform was replaced with Workplace, which will maintain continuity and availability of the production documents collected in the past periods;

III - organization of trainings, with priority given to trainings and seminars organised by the world's leading manufacturers;

IV - organisation of thematic search and development of alternative methodology in order to ensure fundamental resolution of pending technical problems;

In order to improve the existing technology and ensure a higher quality in recommendations made based on the historical information, the division has created industry-specific teams, which, apart from standard works, also specialise in monitoring specific technologies, such as hydro-isolation, automated plastering, wet facade technology, etc, to strengthen the quality teams working at the sites with personnel experienced in the kind of work in progress and shorten the time required for sharing the experience.

3) Workplace hygiene and labor protection is a part of Anagi LLC's Health and Safety Policy.

The key objective of the Workplace Safety Policy is to ensure all employees with such a work environment where they will enjoy a high level of adherence to the principles of equality, collegiality and mutual respect and will have all the tools and aids necessary to carry out their duties effectively.

This commitment is supported by the Group's Policies through its Health, Safety, and Environmental Management System.

The tasks of workplace hygiene, safety, and environmental protection are the main motive force for the Labor Protection and Safety Policy Department of Anagi LLC. This Department was created for effective, everyday control of operational and strategic issues.

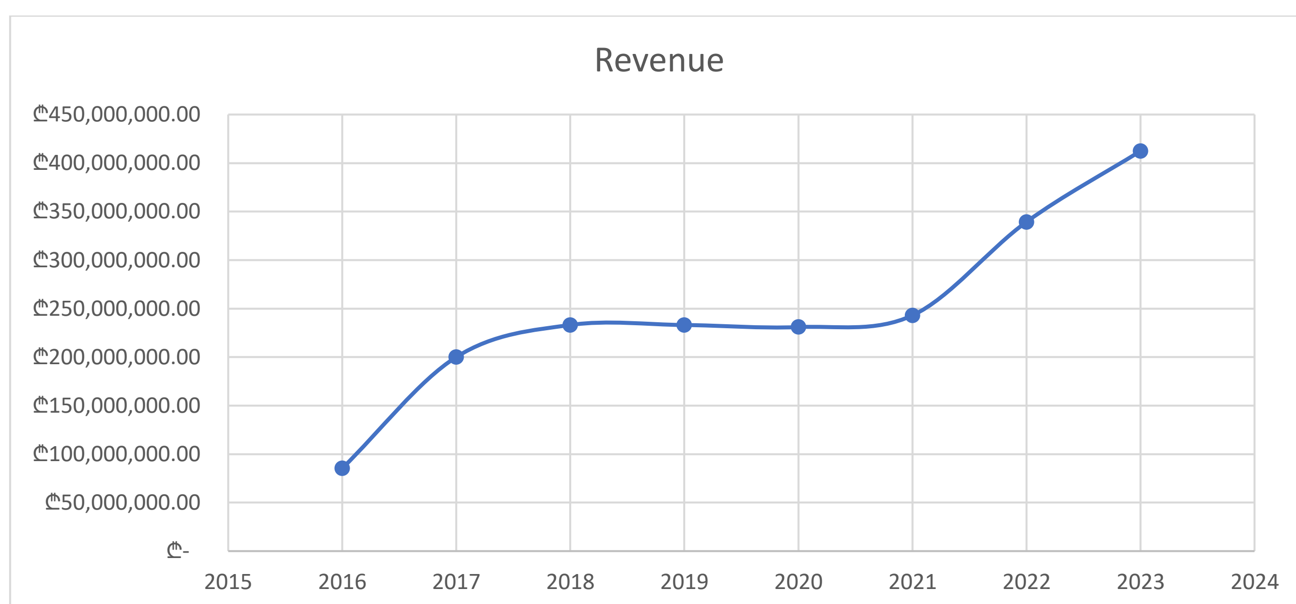
Labor Health and Safety Engineering Department of Anagi LLC is committed to the following ideas:

- Ensure systematic improvement of working conditions
- Protect employees' labor rights
- Improve working conditions
- Improve hygiene and sanitary conditions
- Provide necessary training and instruction for the employees

3. Main financial and non-financial indicators, and additional disclosures regarding the amounts recorded in the financial statements

According to the consolidated financial statements, the revenue for the year 2023 was 412,653 thousand, 97.06% of which was revenue from construction activities amounted – 400,536 thousand. The revenue from construction activities for the year has shown significant increase amounted 17,4% compared to 2022 (341,037 thousand) which is mainly caused obtaining significant construction contracts.

The Company expects that its activities will grow significantly as a result of obtaining further significant contracts 2023-24 and 2023 revenue reaches to GEL 424 million excluding VAT. The chart below shows the trend in the revenue from 2016 to 2022:



Liquidity Ratio

	31 December 2023	31 December 2022
Quick liquidity ratio	99%	108%
Current liquidity ratio	123%	125%

Quick liquidity ratio is calculated by dividing the sum of current deposits, cash and cash equivalents, trade and other receivables and other current assets by the current liabilities including taxes payable, current borrowings, trade and other payables and current part of advances received.

The Group does not experience any problem with liquidity. The management believes that it will be able to settle all the current liabilities without having to attract additional funds.

Profitability ratios

	2023	2022
Net profit margin	4%	1%
Gross profit margin	10%	9%
Rate of return on equity	16%	3%

The existing trend in the rate of return demonstrates that the Management is effective in managing the Group assets to generate profit, while profitability of sales is indicative that the Group is able to generate profit from its revenues.
The Group has been active on the Georgian market for years and regards 3 companies as its rivals. However, unlike its rivals, which operate in certain construction industries, the Group is active in all the industries of its competitors, which contributes to its strength on the market. The Group cooperates with largest commissioners in Georgia through to its brand and image of a stable and trustworthy company, including its

33-year long experience, customer-oriented approach, financial solidity and sustainable settlement of its liabilities.
The management believes that the success enjoyed by the Group is largely due to the high professionalism of its team. Majority of the engineering and technical staff involved in the construction processes have the experience of over 10 years, and in some cases, over 20 years as well.

4. Main Risks and Uncertainties

4.1 Market Risks and Their Management

Currently, the main uncertainty faced by the Group is the market demand for large-scale projects. However, the Group does not expect risks to be exaggerated in this regard.

The Group is exposed to market risks, which include fluctuation of the fair value of cash flows from financial instruments due to variability of market prices. This might be mainly caused by currency and interest risks.

Uncertainties also include the potential future strengthening of financial and other regulations, which will directly or indirectly cause stagnation or reduction of the real estate market. On the other hand, historical evidence shows that such regulations, when they brought about adverse effects after initiation or implementation, may be reviewed or even softened.

4.1.1 Currency risk

The Group is exposed to the currency devaluation risk, as the primary economic currency of the Company (Georgian Lari) has shown strong fluctuation tendencies. In the recent years, devaluation of Georgian Lari has significantly affected the Group's financial indicators and profitability ratios. The Group has several contracts denominated in US Dollar and its expenses are mainly paid in USD. However, there are contracts (several current agreements) denominated in Georgian Lari. In order to mitigate the risk, the Group maintains its USD-denominated cash in a bank account and attracts the working funds in GEL.

4.1.2 Interest risk

In order to mitigate its interest risk, the Group borrows and lends money using fixed interest rates or LIBOR, which is a sign of stability. The Group does not expect any significant change in fixed interest rates, including in the national currency. Therefore, the fair value of the Group's cash flows is not expected to change due to fluctuations in interest rates.

4.2 Credit risk and its management

The Group is exposed to a certain amount of credit risk, which consists in the possibility that its counter-agents will fail to perform on the liabilities to the Group. The credit risk is mainly caused by trade receivables and loans issued.

Procedures are in place to mitigate the credit risk, which are used by the Group to assess solvency of a counter-agent based on historical data. There is also a maximum credit limit set for counter-agents and an individual approach with large trade debtors.

4.3 Regulation risk and its management

The Group also faces regulation risk, which consists in the possible imposition of restrictions on mortgage loans for bank, which would significantly reduce issuance of such loans and, consequently, the demand for residential estate. This would, in turn, affect the turnover of development companies and bring about a reduction in future construction projects, including commissions to the Group. However, such revenue makes up but a small part of the Group and does not endanger continuity of the Group's business. A lesser risk is the risk of strengthening regulations in general, in all areas, which generally slows down economic growth and may indirectly affect construction industry as well.

4.4 Operation risks and their management

The Group's main operational risks are the risk of fulfilling market demands under the quality promised to the customers of the Group, in order to avoid reputational problems and further operation. To manage the risk the Group has created a quality control system, which ensures monitoring of all processes in the Group, and elimination and reduction of deficiencies. To this end, the Group also employs highly professional and experienced personnel.

4.5 Liquidity risk and its management

The section on financial indicators above shows why the Group does not face a problem with liquidity, which means that the Group's current assets exceed its current liabilities. In order to prevent a problem with liquidity and be able to cover all the liabilities when they fall due, the Group also uses a bank credit line. In order to mitigate liquidity risk, the Group uses diversified financial assets, such as bank deposits, loans issued and trade receivables.
The Group reviews its financial position including its liquidity risk on a regular basis, at least once in a month assessing cash inflow against outflow and identifying remedies where necessary.