

# **BIODIESEL GEORGIA LLC and ITS SUBSIDIARY**

Consolidated Financial Statements and Independent  
Auditor's Report  
For Year Ended 31 December 2021

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## BIODIESEL GEORGIA LLC

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Management is responsible for the preparation of the Consolidated financial statements that present fairly the Consolidated statement of financial position of Biodiesel Georgia LLC and its subsidiary (hereinafter – the “Group”) as at 31 December 2021 and the results of its operations, Consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2021, in compliance with International Financial Reporting Standards (“IFRS”).

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 financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the 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 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 local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by management of 15 March, 2022.

On behalf of the Management:

Director  
Murman Pataraia

15 March, 2022



## INDEPENDENT AUDITOR'S REPORT

To the Owners and Board of Director of Biodiesel Georgia LLC:

### Qualified Opinion

We have audited the consolidated financial statements of Biodiesel Georgia LLC and its subsidiary ("hereinafter – the "Group")", which comprise the consolidated statement of financial position as at 31 December 2021, 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 then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect on the consolidated financial statements of the matter described in the basis for qualified opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated statement of financial performance and consolidated statement of its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Qualified Opinion

Owners of LLC Biodiesel Georgia is individual Murman Pataraia with 10% and Limited Liability Group "Holding" with 90%. attached financial report does not disclose information about the final controlling parties of it, such disclosure is required by International Accounting Standard (IAS) 24.

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") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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 skepticism throughout the audit. We also:

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

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.

Kakhaber Tetrushvili

Algi Audit LLC

15 March, 2022  
Tbilisi, Georgia



# BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

|                                       | Note | 2021             | 2020             |
|---------------------------------------|------|------------------|------------------|
| Revenue                               | 5    | 5,268,051        | 3,956,685        |
| Cost of sales                         | 6    | (3,304,242)      | (3,257,226)      |
| <b>Gross profit</b>                   |      | <b>1,963,809</b> | <b>699,459</b>   |
| Selling and distribution cost         | 7    | (153,728)        | (48,142)         |
| General and administrative expenses   | 8    | (1,016,113)      | (696,357)        |
| Other operating expenses              | 9    | (122,532)        | (63,755)         |
| <b>Gross operating profit</b>         |      | <b>671,436</b>   | <b>(108,795)</b> |
| Other non-operating expenses, net     |      | (68,907)         | (4,567)          |
| Foreign exchange loss, net            | 10   | (26,167)         | (2,552)          |
| Finance expense                       |      | (3,514)          | -                |
| <b>Profit before tax</b>              |      | <b>572,848</b>   | <b>(115,914)</b> |
| Income Tax Expense                    |      | -                | -                |
| <b>Net profit/(loss) for the year</b> |      | <b>572,848</b>   | <b>(115,914)</b> |

On behalf of the Management Board

Murman Pataraia

Director

15 March, 2022

The notes on pages 8-30 form an integral part of these consolidated financial statements.

# BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

|                                     | Note | 31 December, 2021 | 31 December, 2020 | 1 January, 2020 |
|-------------------------------------|------|-------------------|-------------------|-----------------|
| <b>Assets</b>                       |      |                   |                   |                 |
| <b>Long-term assets</b>             |      |                   |                   |                 |
| Property, plant and equipment       | 11   | 261,882           | 326,955           | 298,854         |
| Intangible assets                   |      | 4,213             | 4,213             | 4,213           |
| Right-of-use asset                  | 12   | 74,848            | -                 | -               |
| <b>Total long-term assets</b>       |      | <b>340,943</b>    | <b>331,168</b>    | <b>303,067</b>  |
| <b>Short-term assets</b>            |      |                   |                   |                 |
| Inventory                           | 13   | 118,797           | 187,208           | 129,962         |
| Trade and other receivables         | 14   | 363,788           | 33,865            | 30,585          |
| Tax assets, net                     |      | 99,665            | 13,551            | 11,698          |
| Cash and Cash Equivalents           | 15   | 50,679            | 68,341            | 10,740          |
| <b>Total short-term assets</b>      |      | <b>632,929</b>    | <b>302,965</b>    | <b>182,985</b>  |
| <b>Total assets</b>                 |      | <b>973,872</b>    | <b>634,133</b>    | <b>486,052</b>  |
| <b>Equity and liabilities</b>       |      |                   |                   |                 |
| Charter capital                     | 16   | 493,169           | 493,169           | 496,669         |
| Retained earnings                   |      | 162,520           | (410,328)         | (294,414)       |
| <b>Total Equity</b>                 |      | <b>655,689</b>    | <b>82,841</b>     | <b>202,255</b>  |
| <b>Short-term liabilities</b>       |      |                   |                   |                 |
| Borrowings                          |      | 40,404            | 104,219           | 104,221         |
| Trade and Other Payables            | 17   | 201,810           | 447,073           | 179,576         |
| Lease liability                     | 12   | 75,969            | -                 | -               |
| <b>Total current liabilities</b>    |      | <b>318,183</b>    | <b>551,292</b>    | <b>283,797</b>  |
| <b>Total equity and liabilities</b> |      | <b>973,872</b>    | <b>634,133</b>    | <b>486,052</b>  |

On behalf of the Management Board:

Murman Pataraiia

Director

15 March, 2022

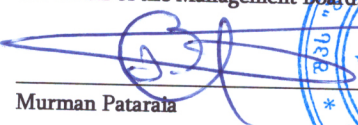
The notes on pages 8-30 form an integral part of these consolidated financial statements.



**BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(In Georgian Lari)**

|                                         | Charter capital | Retained earnings | Total equity |
|-----------------------------------------|-----------------|-------------------|--------------|
| Balance at 1 January 2020               | 496,669         | (294,414)         | 202,255      |
| Loss for the year                       | -               | (115,914)         | (115,914)    |
| Capital withdrawal                      | (3,500)         | -                 | (3,500)      |
| Balance at 31 December 2020             | 493,169         | (410,328)         | 82,841       |
| Total comprehensive profit for the year | -               | 572,848           | 572,848      |
| Balance at 31 December 2021             | 493,169         | 162,520           | 655,689      |

On behalf of the Management Board:

  
Murman Patarala

Director

15 March, 2022

The notes on pages 8-30 form an integral part of these consolidated financial statements.



# BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

|                                                                                                 | Note  | 2021            | 2020            |
|-------------------------------------------------------------------------------------------------|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                                                     |       |                 |                 |
| Profit for the year                                                                             |       | 572,848         | (115,914)       |
| <b>Adjustments for:</b>                                                                         |       |                 |                 |
| Depreciation and amortization expense                                                           |       | 91,192          | 51,799          |
| Write-off PPE item                                                                              |       | -               | 4,567           |
| Interest expense                                                                                |       | 3,515           | -               |
| Impairment losses recognized on receivables                                                     | 9, 14 | 35,008          | 32,519          |
| Foreign exchange loss, net                                                                      | 10    | 26,167          | 2,552           |
| <b>Cash inflow from operating activities before changes in operating assets and liabilities</b> |       | <b>728,730</b>  | <b>(24,477)</b> |
| Increase in Trade and other receivables                                                         |       | (356,681)       | (35,801)        |
| Decrease in inventory                                                                           |       | 68,411          | (57,246)        |
| Changes in Tax assets                                                                           |       | (86,114)        | (1,853)         |
| Decrease in Trade and other payables                                                            |       | (247,429)       | 266,786         |
| interest paid                                                                                   |       | (3,516)         | -               |
| <b>Net cash inflow/(outflow) by operating activities</b>                                        |       | <b>103,401</b>  | <b>147,409</b>  |
| <b>Cash flows from investing activities</b>                                                     |       |                 |                 |
| Purchase of PPE                                                                                 |       | (100,046)       | (84,467)        |
| Sale of PPE                                                                                     |       | 102,050         | -               |
| Investment in subsidiaries                                                                      |       | -               | -               |
| <b>Net cash (outflow)/inflow from investing activities</b>                                      |       | <b>2,004</b>    | <b>(84,467)</b> |
| <b>Cash flows from financing activities</b>                                                     |       |                 |                 |
| Capital withdrawal                                                                              |       | -               | (3,500)         |
| Payment of Lease Liability                                                                      |       | (26,792)        | -               |
| Payment of Borrowings                                                                           |       | (63,815)        | -               |
| <b>Net cash generated in financing activities</b>                                               |       | <b>(90,607)</b> | <b>(3,500)</b>  |
| <b>Net decrease in cash and cash equivalents</b>                                                |       | <b>14,798</b>   | <b>59,442</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b>                                   |       | <b>68,341</b>   | <b>10,740</b>   |
| <b>Effects of exchange rate changes on the balance of cash held in foreign currencies</b>       |       | <b>(32,460)</b> | <b>(1,841)</b>  |
| <b>Cash and cash equivalents at the end of the year</b>                                         |       | <b>50,679</b>   | <b>68,341</b>   |

Murman Pataraiia

Director

15 March, 2022

The notes on pages 8-30 form an integral part of these consolidated financial statements.



## BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

#### 1. GENERAL INFORMATION

Biodiesel Georgia LLC (the "company") was incorporated on 28 June 2017 in Tbilisi, Georgia. The Group's registered office is in Tsintsadze street, Tbilisi, Georgia. The Group is principally engaged in of Biodiesel producing and selling. Moreover the group exports used cooking oil. As at 31 December, 2021 Owners of the group are individual Murman Patariaia with 10% and Limited Liability Group "Holding" with 90%.

The Company is a parent company to the following entity (together referred to as the "Group"), that are included in the consolidated financial statements of the Group:

| Firm name                                     | Activity               | Cost   | 31 December, 2021    | Cost | 31 December, 2020    |
|-----------------------------------------------|------------------------|--------|----------------------|------|----------------------|
|                                               |                        |        | Share of the company |      | Share of the company |
| Transport Logistics Company Oil Logistics LLC | Transportation service | 64,595 | 100%                 | -    | -                    |

#### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amended IFRS Standards that are effective for the current year.

Impact of the initial application of Interest Rate Benchmark Reform;

Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16.

New and revised IFRS Standards in issue but not yet effective.

IFRS 17 (including the June 2020 amendments to IFRS 17) Insurance Contracts;

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;

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

Amendments to IFRS 3 Reference to the Conceptual Framework;

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use; Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract;

Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture);

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies; Amendments to IAS 8 Definition of Accounting Estimates;

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

##### IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. In June 2020, the Board issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the Board issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements,



## BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

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the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of Consolidated financial statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after



## BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

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the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

#### Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

#### Annual Improvements to IFRS Standards 2018-2020—Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Annual Improvements include amendments to four Standards: IFRS 1 First-time Adoption of International Financial Reporting Standards The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted. IFRS 9 Financial Instruments The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted. IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated. IAS 41 Agriculture The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre tax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

#### Amendments to IAS 1 Presentation of Consolidated financial statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

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 consolidated financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated 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

## BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

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material. The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

#### Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

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 consolidated financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard.

The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

#### Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

### 3. SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation** – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.



**BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
**(In Georgian Lari)****5. REVENUE**

|                            | 2021             | 2020             |
|----------------------------|------------------|------------------|
| Export                     | 2,846,719        | 414,101          |
| Sales to the local clients | 2,384,540        | 3,537,245        |
| Transportation service     | 28,328           | -                |
| rent income                | 8,464            | 5,339            |
| <b>Total</b>               | <b>5,268,051</b> | <b>3,956,685</b> |

**6. COST OF SALES**

|                                | 2021             | 2020             |
|--------------------------------|------------------|------------------|
| Sold to local companies        | 2,195,240        | 3,170,978        |
| Export                         | 1,082,150        | 86,248           |
| Cost of transportation service | 26,852           | -                |
| <b>Total</b>                   | <b>3,304,242</b> | <b>3,257,226</b> |

**7. SELLING AND DISTRIBUTION COST**

|                                     | 2021           | 2020          |
|-------------------------------------|----------------|---------------|
| Transportation and storing expenses | 153,728        | 47,085        |
| advertisement cost                  | -              | 1,057         |
| <b>Total</b>                        | <b>153,728</b> | <b>48,142</b> |

**8. GENERAL AND ADMINISTRATIVE EXPENSES**

|                                     | 2021             | 2020           |
|-------------------------------------|------------------|----------------|
| Wages and salaries                  | 651,430          | 270,556        |
| Rent expenses                       | 157,672          | 232,427        |
| Economic expenses                   | 39,051           | 37,414         |
| Depreciation expenses               | 38,250           | 12,444         |
| Communication expenses              | 33,817           | 23,799         |
| Professional fees                   | 31,605           | 32,938         |
| Bank charges                        | 16,592           | 17,165         |
| Representative expenses             | 2,326            | 5,874          |
| Fuel Expenses                       | 1,291            | 13,041         |
| Insurance expenses                  | 868              | 4,033          |
| Tax expenses, other than income tax | 804              | 20,845         |
| Other expenses                      | 42,407           | 25,821         |
| <b>Total</b>                        | <b>1,016,113</b> | <b>696,357</b> |



**BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(In Georgian Lari)****9. Other operating expenses**

|                    | 2021           | 2020          |
|--------------------|----------------|---------------|
| Wages and salaries | 87,524         | 31,236        |
| Bad debt expenses  | 35,008         | 32,519        |
| <b>Total</b>       | <b>122,532</b> | <b>63,755</b> |

**10. FOREIGN EXCHANGE LOSS, NET**

| 2021                        | Gain          | Loss            | Result          |
|-----------------------------|---------------|-----------------|-----------------|
| Cash and Cash Equivalents   | 3,290         | (35,750)        | (32,460)        |
| Trade and other receivables | 18,729        | (10,479)        | 8,250           |
| Trade and Other Payables    | 472           | (2,638)         | (2,166)         |
| Lease liability             | 209           | -               | 209             |
| <b>Total</b>                | <b>22,700</b> | <b>(48,867)</b> | <b>(26,167)</b> |

| 2020                        | Gain         | Loss           | Result         |
|-----------------------------|--------------|----------------|----------------|
| Cash and Cash Equivalents   | 1,382        | (3,223)        | (1,841)        |
| Trade and other receivables | -            | -              | -              |
| Trade and Other Payables    | 1,341        | (2,052)        | (711)          |
| Lease liability             | -            | -              | -              |
| <b>Total</b>                | <b>2,723</b> | <b>(5,275)</b> | <b>(2,552)</b> |

# BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

### 11. Property, plant and equipment

|                                 | Machinery and<br>Equipment | Office equipment | Vehicles | Leashold<br>improvements | Total     |
|---------------------------------|----------------------------|------------------|----------|--------------------------|-----------|
| <b>Historical Cost</b>          |                            |                  |          |                          |           |
| Balance at 1 January, 2020      | 143,856                    | 32,718           | 58,562   | 106,430                  | 341,566   |
| Addition                        | 52,354                     | 11,836           | 148      | 20,129                   | 84,467    |
| Disposal                        | (3,996)                    | (652)            | -        | (524)                    | (5,172)   |
| Balance 31 December, 2020       | 192,214                    | 43,902           | 58,710   | 126,035                  | 420,861   |
| Addition                        | 11,744                     | 23,608           | 64,121   | 573                      | 100,046   |
| Disposal                        | (35,887)                   | (9,196)          | (58,710) | (16,744)                 | (120,537) |
| Balance 31 December, 2021       | 168,071                    | 58,314           | 64,121   | 109,864                  | 400,370   |
| <b>Accumulated depreciation</b> |                            |                  |          |                          |           |
| At 1 January, 2020              | (19,956)                   | (5,553)          | (3,579)  | (13,624)                 | (42,712)  |
| Charge for the year             | (20,736)                   | (7,414)          | (5,852)  | (17,787)                 | (51,799)  |
| Reverse on disposals            | 580                        | 25               | -        | -                        | 605       |
| At 31 December, 2020            | (40,112)                   | (12,942)         | (9,411)  | (31,411)                 | (93,906)  |
| Charge for the year             | (22,288)                   | (10,373)         | (10,762) | (19,647)                 | (63,070)  |
| Reverse on disposals            | 5,294                      | 1,871            | 9,939    | 1,384                    | 18,488    |
| At 31 December, 2021            | (57,106)                   | (21,444)         | (10,264) | (49,674)                 | (138,488) |
| <b>Carrying Value</b>           |                            |                  |          |                          |           |
| At 1 January, 2020              | 123,900                    | 27,165           | 54,983   | 92,806                   | 298,854   |
| At 31 December, 2020            | 152,102                    | 30,960           | 49,269   | 94,624                   | 326,955   |
| At 31 December, 2021            | 110,965                    | 36,870           | 53,857   | 60,190                   | 261,882   |

# **BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2021** **(In Georgian Lari)**

### **12. RIGHT-OF-USE ASSET AND LEASE LIABILITY**

|                                 | Warehouse | Office  | Total    |
|---------------------------------|-----------|---------|----------|
| <b>Historical Cost</b>          |           |         |          |
| Balance at 1 January, 2020      | -         | -       | -        |
| Addition                        | -         | -       | -        |
| Disposal                        | -         | -       | -        |
| Balance 31 December, 2020       | -         | -       | -        |
| Addition                        | 62,257    | 40,713  | 102,970  |
| Disposal                        | -         | -       | -        |
| Balance 31 December, 2021       | 62,257    | 40,713  | 102,970  |
| <b>Accumulated depreciation</b> |           |         |          |
| At 1 January, 2020              | -         | -       | -        |
| Charge for the year             | -         | -       | -        |
| Reverse on disposals            | -         | -       | -        |
| At 31 December, 2020            | -         | -       | -        |
| Charge for the year             | (18,305)  | (9,817) | (28,122) |
| Reverse on disposals            | -         | -       | -        |
| At 31 December, 2021            | (18,305)  | (9,817) | (28,122) |
| <b>Carrying Value</b>           |           |         |          |
| At 1 January, 2020              | -         | -       | -        |
| At 31 December, 2020            | -         | -       | -        |
| At 31 December, 2021            | 43,952    | 30,896  | 74,848   |

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

|                                                 | 2021     | 2020 |
|-------------------------------------------------|----------|------|
| <b>Beginning balance</b>                        |          | -    |
| Additions                                       | 102,970  | -    |
| Accretion of interest                           | 3,516    | -    |
| Payments                                        | (30,308) | -    |
| The effect of changes in foreign exchange rates | (209)    | -    |
| <b>Closing balance</b>                          | 75,969   | -    |



**BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(In Georgian Lari)****13. INVENTORY**

|                   | 31 December, 2021 | 31 December, 2020 | 1 January, 2020 |
|-------------------|-------------------|-------------------|-----------------|
| Raw materials     | 77,828            | 39,619            | 62,716          |
| Working tools     | 31,321            | 24,249            | 23,302          |
| Finished goods    | 9,648             | 10,322            | 3,716           |
| Merchandise goods | -                 | 112,047           | 40,228          |
| Work-in process   | -                 | 971               | -               |
| <b>Total</b>      | <b>118,797</b>    | <b>187,208</b>    | <b>129,962</b>  |

**14. Trade and other receivables**

|                                          | 31 December, 2021 | 31 December, 2020 | 1 January, 2020 |
|------------------------------------------|-------------------|-------------------|-----------------|
| Trade receivables                        | 282,479           | 32,457            | 18746           |
| Advances paid                            | 105,857           | 27,985            | 5865            |
| other receivables                        | 42,979            | 5,942             | 5974            |
| Allowance for doubtful trade receivables | (67,527)          | (32,519)          | -               |
| <b>Total</b>                             | <b>363,788</b>    | <b>33,865</b>     | <b>30,585</b>   |

Movement of Allowance:

|                                                            | 2021          | 2020          |
|------------------------------------------------------------|---------------|---------------|
| Provision for expected credit losses at 1 January          | 32,519        | -             |
| Charge for the year                                        | 35,008        | 32,519        |
| <b>Provision for expected credit losses at 31 December</b> | <b>67,527</b> | <b>32,519</b> |

**15. CASH AND CASH EQUIVALENTS**

|              | 31 December, 2021 | 31 December, 2020 | 1 January, 2020 |
|--------------|-------------------|-------------------|-----------------|
| Cash at bank | 49,694            | 34,187            | 10,631          |
| Cash on hand | 985               | 34,154            | 109             |
| <b>Total</b> | <b>50,679</b>     | <b>68,341</b>     | <b>10,740</b>   |

**16. CHARTER CAPITAL**

At 31 December 2021, 2020, 2019 authorized and paid capital amounted to 496,669 GEL, 493,169 GEL, 493,169 GEL, respectively.

In 2021 and 2020 dividend was not announced and paid to the owners of the group.

## BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

#### 17. TRADE AND OTHER PAYABLES

|                 | 31 December, 2021 | 31 December, 2020 | 1 January, 2020 |
|-----------------|-------------------|-------------------|-----------------|
| Trade payables  | 198,834           | 429,230           | 161,507         |
| Salary payables | -                 | 501               | 8,037           |
| Other payables  | 2,976             | 17,342            | 10,032          |
| <b>Total</b>    | <b>201,810</b>    | <b>447,073</b>    | <b>179,576</b>  |

#### 18. FINANCIAL INSTRUMENTS

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.

**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 trade receivables and other financial assets approximate fair values due to their short term maturities.

**Financial 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 consolidated financial statements approximate their fair values.

The fair value of cash and cash equivalents was determined using level 1 measurement and the fair value of other financial assets and liabilities were determined using level 3 measurement.

**Capital risk management** – The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements.

# BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

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

|                          | 31 December 2021 | 31 December 2020 | 1 January 2020 |
|--------------------------|------------------|------------------|----------------|
| Borrowings               | 40,404           | 104,219          | 104,221        |
| Trade and other payables | 201,310          | 447,073          | 179,576        |
| Net borrowings           | 242,214          | 551,292          | 283,797        |
| Equity                   | 655,689          | 82,841           | 202,255        |
| Net debt to equity ratio | 37%              | 665%             | 140%           |

**Major categories of financial instruments** – The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables and cash and cash equivalents.

31 December, 2021

|                                  | 0 – 1 Year | Above 1 year | Total   |
|----------------------------------|------------|--------------|---------|
| <b>Financial assets</b>          |            |              |         |
| Cash and Cash Equivalents        | 50,377     | -            | 50,377  |
| Trade and other receivables      | 363,788    | -            | 363,788 |
| <b>Total Financial assets</b>    | 414,165    | -            | 414,165 |
| <b>Financial liability</b>       |            |              |         |
| Trade and other payables         | 201,810    | -            | 201,810 |
| Lease liability                  | 75,969     | -            | 75,969  |
| Borrowings                       | 40,404     | -            | 40,404  |
| <b>Total Financial liability</b> | 318,183    | -            | 318,183 |
| <b>Liquidity gap</b>             | 95,982     | -            | 95,982  |

31 December, 2020

|                               | 0 – 1 Year | Above 1 year | Total   |
|-------------------------------|------------|--------------|---------|
| <b>Financial assets</b>       |            |              |         |
| Cash and Cash Equivalents     | 68,341     | -            | 68,341  |
| Trade and other receivables   | 33,865     | -            | 33,865  |
| <b>Total Financial assets</b> | 102,206    | -            | 102,206 |
| <b>Financial liability</b>    |            |              |         |
| Trade and other payables      | 196,128    | -            | 196,128 |
| Borrowings                    | 104,219    | -            | 104,219 |



# BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

|                           |         |   |         |
|---------------------------|---------|---|---------|
| Total Financial liability | 300,347 | - | 300,347 |
|---------------------------|---------|---|---------|

|               |           |   |           |
|---------------|-----------|---|-----------|
| Liquidity gap | (198,141) | - | (198,141) |
|---------------|-----------|---|-----------|

1 January, 2019

|                                  | 0 – 1 Year       | Above 1 year | Total            |
|----------------------------------|------------------|--------------|------------------|
| <b>Financial assets</b>          |                  |              |                  |
| Cash and Cash Equivalents        | 10,740           | -            | 10,740           |
| Trade and other receivables      | 30,585           | -            | 30,585           |
| <b>Total Financial assets</b>    | <b>41,325</b>    | <b>-</b>     | <b>41,325</b>    |
| <b>Financial liability</b>       |                  |              |                  |
| Trade and other payables         | 179,576          | -            | 179,576          |
| Borrowings                       | 104,221          | -            | 104,221          |
| <b>Total Financial liability</b> | <b>283,797</b>   | <b>-</b>     | <b>283,797</b>   |
| <b>Liquidity gap</b>             | <b>(242,472)</b> | <b>-</b>     | <b>(242,472)</b> |

The main risks arising from the Group's financial instruments are foreign currency 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 2021, 2020 was as follows:

| 2021         | Financial Assets | Financial liability | Net position   |
|--------------|------------------|---------------------|----------------|
| USD          | 20,494           | 30,941              | (10,447)       |
| EUR          | 254,203          | -                   | 254,203        |
| <b>Total</b> | <b>274,697</b>   | <b>30,941</b>       | <b>243,756</b> |

| 2020         | Financial Assets | Financial liability | Net position    |
|--------------|------------------|---------------------|-----------------|
| USD          | 116              | 122,565             | (122,449)       |
| EUR          | 26,290           | -                   | 26,290          |
| <b>Total</b> | <b>26,406</b>    | <b>122,565</b>      | <b>(96,159)</b> |

## BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

The table below details the Group's sensitivity to strengthening/weakening of functional currency against foreign currencies by 10% as at 31 December 2021 and 2020. The analysis was applied to monetary items at the reporting date denominated in respective currencies.

|                                | Impact on Profit/loss |          |
|--------------------------------|-----------------------|----------|
|                                | 2021                  | 2020     |
| US Dollar strengthening by 10% | (1,045)               | (12,245) |
| Euro strengthening by 10%      | 25,420                | 2,629    |
| US Dollar weakening by 10%     | 1,045                 | 12,245   |
| Euro weakening by 10%          | (25,420)              | (2,629)  |

**Limitations of sensitivity analysis** – The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the consolidated statement of 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. 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.

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

## 19. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders, affiliates and entities under common ownership and control with 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 transactions with related parties:

| Balances with related parties                      | Under common control |             |            |
|----------------------------------------------------|----------------------|-------------|------------|
|                                                    | 31.12.2021           | 31.12.2020  | 01.01.2020 |
| Trade and other receivables                        | 31,223               | 13,677      | -          |
| <b>Salary and other benefits of top management</b> | <b>2021</b>          | <b>2020</b> |            |
| Short-term benefits                                | 145,170              | 78,166      |            |

## BIODIESEL GEORGIA LLC AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021 (In Georgian Lari)

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#### 20. COMMITMENTS AND CONTINGENCIES

*Commitments* – the Group had no material commitments outstanding as at 31 December 2021, 2020 and 2019.

*Legal proceedings* – as at 31 December 2021, 2020 and 2019 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 consolidated 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, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Georgia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

For the last two years Georgia has experienced a number of legislative changes, which have been largely related to the European Union Association Agreement. Whilst the legislative changes implemented during 2016 and 2017 paved the way, more can be expected as Georgia's action plan for achieving accession to the European Union continues to develop.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Georgian economy.

Pandemic is at the phase of vaccination all over the world including Georgia that will have a positive effect on economy.

The economic shock caused by the coronavirus and the expectations of the future development of pandemic and its impact on the Georgian economy have been reflecting on increased volatility of the foreign exchange market and weakening of Georgian Lari against other currencies.

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 consolidated statement of 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.

#### 21. EVENTS AFTER THE REPORTING PERIOD

This consolidated financial statement was approved by the management for release on March 15th 2022. There have been no events since the reporting period that require disclosure notes or require an adjustment to the consolidated financial statements.