Consulting

Financial Statements and Compilation Report

Permanent Establishment of the SAFEGE SJSC

31 December 2022

Contents

Grant Thornton

Compilation Report

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To the management of Permanent Establishment of the SAFEGE SJSC

We have complied the accompanying financial statements of Permanent Establishment of the SAFEGE SJSC (the "Company") based on the information contained in the Company's accounting database, which is maintained by us in accordance to the contract for accounting services. These financial statements comprise the statement of financial position of the Company as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised) Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Enterprises (IFRS for SMEs). We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Since a compilation engagement is not an assurance engagement, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with IFRS for SMEs.

Paata Shurghaia

Co-Managing Partner

28 September 2023

Statement of financial position

In Georgian lari	Note	As of 31 December 2022	As of 31 December 2021
Assets			
Non-Current Assets			
Property and equipment	4	-	170
Intangible assets		247	-
Current assets			
Prepayments		9,062	-
Prepayment to the state budget		3,275	-
Inventory		1,772	4,953
Trade and other receivables	5	186,197	577,028
Cash and cash equivalents	6	6,829,026	9,928,499
Total assets		7,029,579	10,510,650
Equity			
Previous periods accumulated gains		5,710,056	5,461,216
Retained earnings		130,549	240,022
		5,840,605	5,701,238
Current liabilities			
Trade and other payables	7	1,184,017	4,809,412
Other short-term liabilities		4,957	-
		1,188,974	4,809,412
Total liabilities and equity		7,029,579	10,510,650

Director: Didier WYNROCX

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Date: 28 September 2023

Statement of profit or loss and other comprehensive income

In Georgian lari	Note	Year ended 31 December 2022	Year ended 31 December 2021
Revenue		3,181,490	5,962,638
Cost of sale	8	(2,220,621)	(3,647,576)
Gross profit		960,869	2,315,062
General and administrative expenses	9	(419,191)	(1,598,788)
Results from operating activities		541,678	716,274
Finance income		44,943	5,081
Other non-operating income		8,874	4,285
Other non-operating expenses		(2)	-
Gain from exchange differences	10	(464,944)	(485,618)
Profit before income tax		130,549	240,022
Profit for the year		130,549	240,022
Total comprehensive income		130,549	240,022

Director: Didier WYNROCX

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Date: 28 September 2023

Statement of changes in equity

In Georgian lari	Accumulated Profit / (loss)	Total
As of January 01, 2022	5,701,238	5,701,238
Profit for the year	130,549	130,549
Previous period correction	8,818	8,818
Dividends	-	-
Transactions with owners	-	-
As of December 31, 2022	5,840,605	5,840,605

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Date: 28 September 2023

Statement of cash flows

In Georgian lari	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from operating activities		
Profit for the year	130,549	240,022
Previous period correction	8,818	-
Adjustments for:		
Depreciation	170	10,672
Finance income	(44,943)	(5,081)
Net foreign exchange gain/(loss)	464,944	485,618
	559,538	731,231
Change in trade and other receivables	312,823	138,707
Change in prepayments	(9,062)	-
Change in inventories	3,181	554
Change in advances received	-	233,511
Change in trade and other payables	(2,957,603)	1,188,721
Change in prepayment to the atate budget	(3,275)	-
Change in other short-term liabilities	152,831	-
Cash generated from / (used in) operations	(1,941,567)	2,292,724
Paid interests	-	-
Paid income tax	-	-
Net cash from operating activities	(1,941,567)	2,292,724
Cash flows from investing activities		
Purchase of intangible assets	(247)	-
Net cash used in investing activities	(247)	-
Cash flows from financing activities		
Received interests	44,943	5,081
Net cash used in financing activities	44,943	5,081
Net increase (decrease) in cash and cash equivalents	(1,896,871)	2,297,805
Foreign exchange effect on cash	(1,202,602)	(489,709)
Cash and bank balances at the beginning of the year	9,928,499	8,120,403
Cash and bank balances at the end of the year	6,829,026	9,928,499

Director: Didier WYNROCX

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Date: 28 September 2023

Notes the financial statements

1 Nature of operations and general information

Permanent Establishment of the SAFEGE SJSC (the “Company”) was incorporated on 10 September 2015 as a permanent establishment company (registration and tax ID:202471173 by the National Agency of Public Registry in accordance with the Law of Georgia on Entrepreneurs.

The Company operates architectural Activities, in particular the construction of wastewater treatment facilities.

Since from founding of the Company SAFEGE SA (ID: FR542021829) is 100% shareholder of the Company.

The average number of employees of the Company during 2022 was 13 employees (2021: 14 employees).

The registered place of the Company is Ardoni Street, Tbilisi, Georgia.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards for small and medium-sized entities (“IFRS for SMEs”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the assumption that the Company operates on a going concern basis.

2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost.

2.3 Functional and presentation currency

The national currency of Georgia is the Georgian lari (“Georgian lari”), which is the Company’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

These financial statements are presented in Georgian lari (unless otherwise stated).

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the National Bank of Georgia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the National Bank of Georgia prevailing on the reporting date, which is 2.7020 Georgian lari for 1 US dollar and 2.8844 Georgian lari for 1 euro as of 31 December 2022 (31 December 2021: 3.0976 Georgian lari for 1 US dollar and 3.5040 Georgian lari for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date).

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

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3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Furniture	10 years
Office equipment furniture and fixtures	4-5 years
Other	2-5 years

3.3 Impairment of property and equipment.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of net selling price and value in use.

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. Recoverable amount is the higher of net selling price and value in use. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or 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 recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

3.4 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.5 Financial instruments

Financial Instruments are initially measured at the transaction price (this includes transaction cost except in the initial measurement of financial assets and liabilities that will be measured at fair value through profit or loss) If however, the arrangement constitutes a financing transaction it is then measured at the present value of the future payments, discounted at a market related interest rate.

After initial recognition they are measured at amortized cost using the effective interest method.

3.6 Trade and other receivables

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms receivables are measured at amortized cost using the effective interest method, less provision for impairment. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

3.7 Trade and other payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. They are on normal credit terms and do not bear interest.

3.8 Cash and cash equivalents

Cash and bank balances comprise cash on hand and bank accounts.

3.9 Equity

Charter capital represents contributions by the shareholders to the Company's charter. The amount of Company's stated charter capital is determined by the Company's shareholders. The changes in the Company's stated capital shall be made only based on the decision of the Company's shareholders.

Accumulated profit/(loss) include all current and prior period retained profits.

3.10 Income tax

Current taxation model effective in Georgia since 1 January 2017 (the "Estonian model of corporate taxation") implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings. As a result, starting 1 January 2017 companies pay corporate income tax on earnings distribution (profit distributed to shareholders as dividends) and on individual transactions that may be considered as indirect distribution of earnings (benefits, gifts, payments, non-arm's length cross-border transactions with related parties, expenses not related to economic activities, etc).

The corporate income tax arising from distribution of dividends is recognized as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are distributed. The tax rate is 15/85 of the amount of net distribution.

According to the current concept of corporate income taxation, there are no temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Therefore, deferred tax assets and liabilities, as defined in IAS 12 Income Taxes, are not formed subsequent to 1 January 2017.

3.11 Revenue

Revenue comprises the fair value of the consideration received or receivable for the provided service in the ordinary course of the Company's activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts.

The Company recognizes revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Company's activities, as described below:

Provided Service

The main activities of the company are the construction of water treatment pipes and facilities (Rehabilitation of Wastewater Treatment Plants), architectural and Supervision works.

4 Property and equipment

In Georgian lari	Office equipment	Furniture and fixtures	Vehicles	Intangible Assets	Total
Cost					
as of 1 January 2022	14,922	2,100	43,954	-	60,975
Additions	-	-	-	247	247
Disposals	(1,896)	-	(18,600)	-	(20,496)
as of 31 December 2022	13,026	2,100	25,354	247	40,726
Accumulated depreciation					
as of 1 January 2022	14,876	1,975	43,954	-	60,805
Depreciation 2022	46	125	-	-	171
Accumulated depreciation of disposals 2022	(1,896)	-	(18,600)	(61)	(20,496)
Accumulated depreciation 31.12.2022	13,026	2,100	25,354	-	40,480
Carrying amount					
as of 31 December 2022	13,026	2,100	25,354	-	40,480

5 Trade and other receivables

In Georgian lari	As of 31 December 2022	As of 31 December 2022
Trade receivables	186,087	555,179
Other receivables	110	2,393
Prepayments	9,062	3,608
Prepayment to the state budget	3,275	15,848
Total Trade and Other Receivables	198,534	577,028

6 Cash and bank balances

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Cash in Bank - National Currency	28,903	478,060
Cash in Bank - Foreign Currency	6,800,123	9,450,439
Total Cash and Cash Equivalents	6,829,026	9,928,499

Bank balances are denominated in Georgian lari.

Cash in foreign currency at the bank is presented in USD and has a denominated value of USD 1,753,715.97 and in EUR having a denominated value of EUR 714,062.21

7 Trade and other payables

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Trade payables	56,765	123,397
Liability to Head office	1,132,209	4,686,015
Total trade and other payables	1,188,974	4,809,412

8 Cost of sale

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Local specialists' salary	227,360	251,429
Subcontractor expenses	797,132	1,447,251
International experts	1,168,292	1,872,054
Insurance	27,836	30,530
Laboratory service fee	-	46,311
Total cost of sales	2,220,621	3,647,576

9 General and administrative expenses

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Salary expenses	244,505.30	339,566
Consulting fees	81,387.72	81,543
Office rent	40,382.67	53,502
Transportation	30,647.45	23,263
Other costs	16,415.26	30,680
Communication costs	5,682.88	7,701
Depreciation and amortization	169.82	10,672
Total general and administrative expenses	419,191	1,598,788

10 Net foreign exchange gain (loss)

In Georgian lari	Year ended 31 December 2022	Year ended 31 December 2021
Amortized cost of Financial Assets	(1,280,609)	(719,129)

Amortized cost of Financial Liabilities	815,665	233,511
Total gain/(loss) from exchange differences	(464,944)	(485,618)

11 Subsequent events

After the reporting period, there were no such events that need to be reflected in the explanatory notes to the financial statements.

12 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

12.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that 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 and equipment

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

13 Related parties

The Company's related parties include its parent company, SAFEGE SA (ID: FR542021829), registered in France.

Since from founding of the Company is controlled by SAFEGE SA (ID: FR542021829), which is 100% shareholder of the Company, and on the other hand, SUEZ SA (ID: 901644989) is the 100% shareholder of the SAFEGE SA.

In Georgian lari	As of 31 December 2022	As of 31 December 2021
Liability to Head Office	(641,854.68)	(143,776.37)

During the reporting year the parent company provides management and disbursement services to the Permanent Establishment and these operations are accounted based on debit notes.