Financial Statements
and Independent Auditor's Report

STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH

31 December 2022

Contents

Grant Thornton

Independent auditor's report

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To the management and head office of STFA Georgia Branch

Opinion

We have audited the financial statements of STFA Georgia branch (the "Branch"), which comprise the statement of financial position as of 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 Financial Statements* section of our report. We are independent of the Branch 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 financial statements in the Republic of Georgia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Uncertainty regarding the going concern

As described in note 1 and note 13.2 to the financial statements the Branch has been established with the specific purpose of implementing construction project at the port of Poti at Georgia's Black Sea shore. The project's first phase is expected to be completed in 2023. Currently the Branch is in negotiations with the client about continuation of works on the second phase of the project. At the date of signature of the financial statements, it's still not completely clear whether the Branch will sign the contract for phase two of the project and therefore, whether the Branch will continue operations in Georgia. However, the management believes the negotiations will be completed successfully, the Branch will sign contract for the second phase and will continue working in Georgia.

Our opinion is not modified in respect of this matter.

Management Report

Management is responsible for the Management Reporting. The Management Reporting comprises the information about the activities of the Company, risk analysis, future plans and other matters as required by the Law of Georgia on Accounting, Reporting and Auditing.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In addition, we are required by the Law of Georgia on Accounting, Reporting and auditing to express an opinion whether certain parts of the Management Report comply with respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

Based on the work performed in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

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

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

In preparing the financial statements, management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance 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.

For and on behalf of Grant Thornton LLC

Vakhtang Tsabadze,

Managing Partner,

Registered Auditor (registration # - SARAS-A-774309)

Tbilisi, Georgia

20 September 2023

Statement of financial position

	Note	31-Dec-22	31-Dec-22	31-Dec-21	31-Dec-21
		In GEL	**In USD**	**In GEL**	**In USD**
Cash and bank balances	4	1,165,038	431,176	4,706,904	1,519,533
Restricted cash		-	-	799,181	258,000
Advances paid	5	242,681	89,815	1,560,760	503,861
Inventories		47,874	17,718	-	-
Prepayment		13,104	4,850	-	-
Contract assets	8	10,402,001	3,849741	-	-
Right of use asset		-	-	119,326	38,522
		11,870,698	**4,393,300**	**7,186,172**	**2,319,916**
Property and equipment	6	689,820	255,300	2,088,840	674,341
		689,820	**255,300**	**2,088,840**	**674,341**
TOTAL ASSETS		**12,560,518**	**4,648,600**	**9,275,011**	**2,944,257**
Trade payables	7	993,233	367,592	3,820,165	1,233,266
Payables to personnel		877	323	-	-
Taxes payable		264,606	97,930	83,516	26,962
Advances received		913,026	337,908	516,594	166,772
Construction contract liabilities		-	-	147,906	47,748
Provisions	9	2,239,958	829,000	2,063,213	666,068
Lease liabilities		-	-	122,525	39,555
		4,411,700	**1,632,753**	**6,753,918**	**2,180,371**
Financing from Head Office	10	1,242,665	399,554	819,880	254,548
Accumulated Profit / (Loss)		6,906,153	2,211,048	1,701,212	528,174
Currency translation difference			405,245	-	31,164
		8,148,818	**3,015,847**	**2,521,092**	**813,886**
TOTAL LIABILITIES AND FUNDS		**12,560,518**	**4,648,600**	**9,275,011**	**2,994,257**

The financial statements were approved on 15 September 2022 by:

Zafer Boztuna

Director

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 23.

Statement of financial position

	Note	31-Dec-22	31-Dec-22	31-Dec-21	31-Dec-21
		In GEL	In USD	In GEL	In USD
Cash and bank balances	4	1,165,038	431,176	4,706,904	1,519,533
Restricted cash		-	-	799,181	258,000
Advances paid	5	242,681	89,815	1,560,760	503,861
Inventories		47,874	17,718	-	-
Prepayment		13,104	4,850	-	-
Contract assets	8	10,402,001	3,849741	-	-
Right of use asset		-	-	119,326	38,522
		11,870,698	**4,393,300**	**7,186,172**	**2,319,916**
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The financial statements were approved on 15 September 2022 by:

Zafer Boztuna

Director

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 23.

Statement of profit or loss and other comprehensive income

	Note	Year 2022 In GEL	Year 2022 In USD	Year 2021 In GEL	Year 2021 In USD
Revenues		31,730,942	10,883,048	16,405,425	5,093,382
Revenue from equipment rental		-	-	92,516	28,723
Interest income		67,207	23,050	-	-
Sub-Contract Expenses		(14,661,529)	(5,028,597)	(9,555,121)	(2,966,572)
NET REVENUE		**17,136,620**	**5,877,501**	**6,942,820**	**2,155,533**
Salaries and Wages		(5,000,573)	(1,715,092)	(1,079,573)	(335,174)
Direct Material Expenses		(2,061,303)	(706,984)	(521,565)	(161,930)
Depreciation of fixed assets		(1,595,656)	(547,277)	(75,118)	(23,322)
Construction and divers services		(1,329,598)	(456,024)	-	-
Office running costs		(866,701)	(297,260)	(44,757)	(13,896)
Rent		(247,313)	(84,823)	(377,117)	(117,083)
Construction machinery rent and services		(232,909)	(79,883)	(385,884)	(119,805)
Provision expenses		(176,745)	(162,932)	(2,063,213)	(640,564)
Transportation expenses		(165,503)	(56,764)	(38,262)	(11,879)
Software		(158,580)	(54,389)	(30,536)	(9,481)
Commission		(95,737)	(32,836)	(15,243)	(4,732)
Consultants services		(94,980)	(32,576)	(59,980)	(18,622)
Travel expenses		(84,584)	(29,010)	(92,212)	(28,629)
Safety Expenses		(62,907)	(21,576)	(49,190)	(15,272)
Tea house canteen		(42,466)	(14,565)	(11,951)	(3,711)
Insurance		(41,240)	(14,145)	(7,324)	(2,274)
Tax expenses		(24,747)	(8,488)	(70,597)	(21,918)
Other expenses		(10,384)	(3,561)	(114,642)	(35,593)
Gain / (Loss) from Exchange Differences	11	360,247	123,557	(60,164)	(18,679)
Interest expenses		-	-	(8,921)	(2,770)
Deprecation of ROU		-	-	(135,360)	(42,025)
EXPENSES		**(11,931,679)**	**(4,194,628)**	**(5,241,607)**	**(1,627,359)**
PROFIT / (LOSS) FOR THE PERIOD		**5,204,941**	**1,682,874**	**1,701,212**	**528,174**
Other Comprehensive income		-	374,081	-	31,164
TOTAL COMPREHENSIVE INCOME		**5,204,941**	**2,056,955**	**1,701,212**	**559,338**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 23.

Statement of changes in funds

In GEL	Note	Financing from Head Office	Accumulated Profit / (Loss)	Total
As of 25-May-2021		**-**	**-**	**-**
Profit / (loss) for the period		-	1,701,213	1,701,213
TOTAL COMPREHENSIVE INCOME		*-*	*1,701,213*	*1,701,213*
Financing received from the Head Office	10	1,976,051		1,976,051
Distributions to the Head Office	10	(1,156,171)		(1,156,171)
TOTAL TRANSACTIONS WITH HEAD OFFICE		*819,880*	*-*	*819,880*
As of 31-December-2021		**819,880**	**1,701,213**	**2,521,093**
Profit / (loss) for the period			5,204,941	5,204,941
TOTAL COMPREHENSIVE INCOME		*819,880*	*6,906,153*	*7,726,033*
Financing received from the Head Office	10	1,686,104		1,686,104
Distributions to the Head Office	10	(2,108,889)		(2,108,889)
TOTAL TRANSACTIONS WITH HEAD OFFICE		*422,785*		*422,785*
As of 31-December-2022		**1,242,665**	**6,906,153**	**8,148,818**

In USD	Note	Financing from Head Office	Accumulated Profit / (Loss)	Currency translation difference	Total
As of 25-May-2021		**-**	**-**	**-**	**-**
Profit / (loss) for the period			528,174		528,174
Other comprehensive income				31,164	31,164
TOTAL COMPREHENSIVE INCOME		-	528,174	31,164	559,338
Financing received from the Head Office	10	613,503			613,503
Distributions to the Head Office	10	(358,956)			(358,956)
TOTAL TRANSACTIONS WITH HEAD OFFICE		*254,548*	*-*	*-*	*254,548*
As of 31-December-2021		**254,548**	**528,174**	**31,164**	**813,886**
Profit / (loss) for the period			1,682,874		1,682,874
Other comprehensive income				374,081	374,081
TOTAL COMPREHENSIVE INCOME		-	1,682,874	374,081	2,056,955
Financing received from the Head Office	10	578,298			578,298
Distributions to the Head Office	10	(723,304)			(723,304)
TOTAL TRANSACTIONS WITH HEAD OFFICE		*145,006*	*-*	*-*	*145,006*
As of 31-December-2022		**399,554**	**2,211,048**	**405,245**	**3,015,847**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 23.

Statement of cash flows

	Note	Year 2022 In GEL	Year 2022 In USD	Year 2021 In GEL	Year 2021 In USD
Operating cash flows					
Cash received from customer		24,604,017	8,438,662	19,531,330	6,063,880
Cash paid to local suppliers		(3,257,303)	(1,117,186)	(1,775,955)	(551,380)
Rental fees paid		(14,605)	(5,009)	(3,750)	(1,164)
Cash paid to domestic subcontractors		(11,118,290)	(3,813,340)	(4,340,979)	(1,347,741)
Cash paid to foreign subcontractors		(8,278,619)	(2,839,393)	(3,611,817)	(1,121,359)
Salaries paid		(2,999,447)	(1,028,747)	(697,098)	(216,428)
Advanced paid to personnel		(205,944)	(70,634)		-
Taxes paid		(2,587,900)	(887,595)	(2,055,428)	(638,148)
Transfer to restricted cash account		789,815	270,890	(804,380)	(249,735)
Other payments		(52,762)	(18,098)	(9,056)	(2,811)
Interest income		65,929	22,173	-	-
Cash flow from operations		**(3,055,109)**	**(1,048,277)**	**6,232,867**	**1,935,114**
Investment cash flows					
Payment for acquisition of property and equipment		(157,012)	(53,852)	(2,140,326)	(664,506)
Cash flow from investments		**(157,012)**	**(53,852)**	**(2,140,326)**	**(664,506)**
Financial cash flows					
Financing received from head office	9	542,340	186,011	1,966,290	610,473
Cash distributed to head office	9	(793,780)	(272,250)	(1,155,436)	(358,728)
Cash flow from financial operations		**(251,440)**	**(86,239)**	**810,854**	**251,745**
Exchange rate differences		(78,306)	5,174	(196,491)	(2,822)
Total increase / (decrease) of cash		(3,541,867)	(1,183,194)	4,706,904	1,519,533
Opening Balance of Cash		**4,706,904**	**1,614,369**	**-**	**-**
Closing Balance of cash		**1,165,038**	**431,175**	**4,706,904**	**1,519,533**

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 23.

Notes to the financial statements

1 Nature of operations and general information

STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH (the “Branch”) is a branch of Joint Stock Company STFA INSAAT ANONIM SIRKETI, 128290-0, established in Turkey. The Branch has been registered in Georgia on 25 May 2021 with the legal form of a Branch of Foreign Enterprise with corporate identification number 405462921. The legal address of the Branch is Georgia, Tbilisi, Saburtalo District, Merab Aleksidze st. N12, Floor 7, Office space N38, Block "B".

The Branch has been established with the specific purpose of implementing construction project at the port of Poti at Georgia’s Black Sea shore, so the Branch is a temporary establishment. The project’s first phase is expected to be completed in 2023

The average number of employees of the Branch during the year ended 31 December 2022 was 38 employees (2021 – 26 employees).

2 Basis of preparation

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the assumption that the Branch 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 convention with the exception of certain financial instruments that are stated at present discounted value of future cash flows.

Statement of Profit and Loss and other Comprehensive Income presents costs based on their functions. The Branch’s management considers that cost function method provides more useful information for stakeholders, as it better reflects operations from business point of view. The financial reporting uses current/non current approach in classification.

2.3 Functional and presentation currency

The national currency of Georgia is the Georgian Lari (“GEL”), however, based on the analyses of the currency that mainly influences sales prices for services and the currency that mainly influences costs of providing such services, being United States Dollars (USD), the functional currency of the Branch is USD and the currency in which these financial statements are presented. All financial information presented in USD, except when otherwise indicated.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 12 to the financial statements.

2.5 Adoption of new and revised standards

In preparing these financial statements the Branch has used all of the Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and International Financial Reporting Interpretations

Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2022.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Branch

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Branch.

Management anticipates that all of the relevant pronouncements will be adopted in the Branch's accounting policies for the first period beginning on or after the effective date of the pronouncement.

Management does not anticipate a material impact on the Branch's financial statements from these Standards and Amendments. They are presented below:

Standard	Title of Standard or Interpretation	Effective for reporting periods beginning on or after
IFRS 17	*Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IRFS 9 (Amendments to IFRS 4)*	*1 January 2023*
IFRS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*	*1 January 2023*
IFRS 17	*Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)*	*1 January 2023*
IAS 8	*Definition of Accounting Estimates (Amendments to IAS 8)*	*1 January 2023*
IAS 1	*Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)*	*1 January 2023*
IAS 1	*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*	*1 January 2024*
IAS 16	*Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*	*1 January 2024*
IAS 1	*Non-current Liabilities with Covenants (Amendments to IAS 1)*	*1 January 2024*

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency balances and transactions reported in GEL

In preparing the financial statements, transactions in currencies other than GEL 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). Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

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

Translation of financial statements into USD

The assets and liabilities of the Branch are translated from amounts reported in Georgian lari into US dollar at the exchange rate at the end of the reporting period. Income and expense for each statement of comprehensive income are translated at the average exchange rate for the reporting period. The resulting exchange difference is recorded in other comprehensive income and credited to net assets in the foreign currency translation reserve.

3.2 Property and equipment

Property, plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Branch's management

Property and equipment are subsequently measured using the cost model, at cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. Based on the temporary nature of the Branch's establishment, considering that the project, for which the Branch has been established is expected to be completed in May 2023, useful lives of all the property and equipment of the Branch have been determined to be 2 years or less, depending on when the asset has been purchased.

3.3 Impairment of property and equipment and of intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the 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. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

3.4 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the Company's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses. A summary of the Company's financial assets by category is given in note 13.2.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9’s impairment requirements use more forward-looking information to recognize expected credit losses – the “expected credit loss (ECL) model”. Instruments within the scope of IFRS 9 requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

“Stage 3” would cover financial assets that have objective evidence of impairment at the reporting date.

“12-month expected credit losses” are recognized for the first category while “lifetime expected credit losses” are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables. A summary of the Company's financial liabilities by category is given in note 13.2.

Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. The difference between fair value and nominal value is recognized in profit or loss, except when the borrowing was received from the owners. In this instance the difference between fair value and nominal value is recognized in equity as additional capital. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

Trade and other payables

Trade and other payables are stated at fair value and subsequently stated at amortized cost.

3.5 Cash and cash equivalents

Cash and bank balances comprise cash on hand and bank accounts

3.6 Financing from Head office

The Branch has no share capital or charter capital of its own. It is financed by contributions from the Head Office which are stated at the statement of the financial position at the fair value of the contributions received from the head office.

3.7 Provisions

A provision is recognized in the statement in financial position when the company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

3.8 Income tax

Current tax is the expected tax payable/(recoverable) on the taxable income/(loss) for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

3.9 Revenue

To determine whether to recognize revenue, the Branch follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Branch’s major revenue line is revenue from construction works for Poti sea port expansion project. The Branch's policy for revenue recognition is described below.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Branch and the revenue can be reliably measured, regardless of when the payment is being made. The first step for revenue recognition purposes is to identify the contracts and the performance obligations contained therein. The performance obligations the Branch has under its contract with customer are satisfied and revenue is recognized over time.

The Branch follows the input method for measuring progress of over time, e.g. contract costs incurred to the date as a percentage of total estimated contract costs at the balance sheet date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and is highly probable that a significant reversal in cumulative revenue recognized will not occur. Changes in estimates used in determination of the amount of revenue and expenses are recognized in the profit or loss in the period in which change is made.

When it is probable that total unavoidable costs of meeting the obligation under the contract will exceed total contract revenue and other economic benefits expected to be received under the contract, the expected loss is recognized as an expense immediately, first through impairment of assets dedicated to the contract and, if such impairment is not sufficient, by recognition of a provision.

Project is characterized by fixed price agreed upon on the basis of individual contract term.

Under construction contract, the Branch is responsible to the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, hiring subcontractors, mechanical and electrical work, installation of fixtures etc. The Branch has determined that the goods and services to be delivered under this contract are not distinct and will generally account for them as a single performance obligation. The Branch transfers service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, based on the assumption that the Branch's performance does not create an asset with an alternative use to the Branch and the Branch has an enforceable right to payment for performance completed to date.

Costs of contract include all direct cost of labor, materials, costs of subcontracted works, depreciation of property, plant and equipment used directly for projects and other direct costs.

Payments made to subcontractors in advance for work that has not been yet performed as at reporting date are excluded from construction costs. Cost of materials that have been delivered to the construction site but not yet installed are presented in inventory. Advance payments received from contractor for which no services/goods are rendered are presented as "Construction contract liabilities".

Unlike the method used to recognize contract revenue, the amounts billed to the customer are based on achievement of the various milestones established in the contract and on acknowledgment thereof by the customer, which takes the form of a contractual document called "Interim Payment Certificate (IPC)". Thus, the amounts recognized as revenue for a given year do not necessarily coincide with the amounts billed to or certified by the customer. In the case of contracts in which the cumulative revenue recognized in respect with the contract with customer exceed the related amount billed, the difference is recognized (as a contract asset) in an asset account called "Construction contracts assets", whereas in contracts in which goods or services transferred are lower than the amount billed by the customer, the difference is recognised (as a contract liability) in a liability account called "Construction contracts liabilities".

Trade receivables represents the Branch's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *Financial instruments*.

4 Cash and bank balances

	31-Dec-22	31-Dec-22	31-Dec-21	31-Dec-21
	In GEL	In USD	In GEL	In USD
Petty cash	1,562	578	23,496	7,586
Cash in banks' current accounts	1,163,476	430,598	4,683,408	1,511,947
TOTAL	**1,165,038**	**431,176**	**4,706,904**	**1,519,533**

Cash and cash equivalents breakdown by currency is as follows:

Currency	31-Dec-22	31-Dec-22	31-Dec-21	31-Dec-21
	GEL	USD	GEL	USD
GEL	1,141,879	422,605	4,682,137	1,511,537
USD	22,738	8,415	24,767	7,996
EUR	421	156		
TOTAL	**1,165,038**	**431,176**	**4,706,904**	**1,519,533**

5 Advances paid

Advances Paid	31-Dec-22	31-Dec-22	31-Dec-21	31-Dec-21
	In GEL	In USD	In GEL	In USD
Work Advances	-	-	1,531	495
Rent paid in advance	182,001	67,358	29,450	9,507
Advances to local suppliers	57,845	21,408	1,529,779	493,859
Advances to foreign suppliers	2,835	1,049	-	-
TOTAL	**242,681**	**89,815**	**1,560,760**	**503,861**

6 Property and equipment

Georgian lari	Buildings	Machinary and equipment	Office equipment, furniture and fixtures	Vehicles	Total
Historical cost					
as of May 25, 2021	-	-	-	-	-
Additions	1,612,271	-	474,217	77,469	2,163,957
As of 31-Dec-2021	**1,612,271**	**-**	**474,217**	**77,469**	**2,163,957**
Additions	-	148,372	48,174	-	196,546
As of 31-Dec-2022	**1,612,271**	**148,372**	**522,391**	**77,469**	**2,360,503**
Accumulated depreciation and impairment					
as of May 25, 2021	-	-	-	-	-
Charge for the year	-	-	(63,498)	(11,620)	(75,118)
As of 31-Dec-2021	**-**	**-**	**(63,498)**	**(11,620)**	**(75,118)**
Charge for the year	(1,138,074)	(91,345)	(319,663)	(46,483)	(1,595,565)
As of 31-Dec-2022	**(1,138,074)**	**(91,345)**	**(383,161)**	**(58,103)**	**(1,670,683)**
Carrying amount					
As of 31-Dec-2021	**1,612,271**	**-**	**410,719**	**65,849**	**2,088,839**
As of 31-Dec-2022	**474,197**	**57,027**	**139,230**	**19,366**	**689,820**

In US dollar	Buildings	Machinary and equipment	Office equipment, furniture and fixtures	Vehicles	Total
Historical cost					
as of May 25, 2021	-	-	-	-	-
Additions	500,561	-	147,230	24,052	671,843
Currency translation difference	19,929	-	5,862	957	26,749
As of 31-Dec-2021	**520,490**	**-**	**153,092**	**25,009**	**698,592**
Additions	-	50,888	16,523	-	67,411
Currency translation difference	-	4,023	23,721	3,662	107,610
As of 31-Dec-2022	**520,490**	**54,912**	**193,335**	**28,671**	**873,613**
Accumulated depreciation and impairment					
as of May 25, 2021	-	-	-	-	-
Charge for the year	-	-	(19,714)	(3,608)	(23,322)
Currency translation difference	-	-	(785)	(143)	(928)
As of 31-Dec-2021	**-**	**-**	**(20,499)**	**(3,751)**	**(24,250)**
Charge for the year	(390,335)	(31,329)	(109,638)	(15,943)	(547,245)
Currency translation difference	(30,861)	(2,477)	(11,670)	(1,810)	(46,818)
As of 31-Dec-2022	**(421,196)**	**(33,806)**	**(141,807)**	**(21,504)**	**(618,313)**
Carrying amount					
As of 31-Dec-2021	**520,490**	**-**	**132,593**	**21,258**	**674,341**
As of 31-Dec-2022	**99,294**	**21,106**	**51,528**	**7,167**	**255,300**

Property and equipment are used only for the Poti project. Buildings are used since January 2022 and deprecations has started in this period. During 2021 all depreciation has been charged to profit or loss.

7 Trade payables

Trade Payables	31-Dec-22	31-Dec-22	31-Dec-21	31-Dec-21
	In GEL	In USD	In GEL	In USD
Payables to domestic suppliers	158,897	58,807	176,151	56,867
Payables to domestic subcontractors	172,902	63,990	32,049	10,346
Payables to foreign suppliers	46,849	17,339	888,530	286,845
Payables to foreign subcontractors	614,585	227,456	2,723,435	879,208
TOTAL	**993,233**	**367,592**	**3,820,165**	**1,233,266**

No interest is charged on the trade payables. The Company has financial risk management policies to ensure that all payables are paid within the credit timeframe. Refer to note 14 (a) for more information about the Company's exposure to foreign currency risk.

8 Construction contract asset and liability

Construction contract asset/liability represents difference between the cumulative revenue recognized by the Branch in respect of the contract with customer and the related amount billed. In the case of contracts in which the cumulative revenue recognized in respect to the contract with customer exceed the related amount billed, the difference is recognized as construction contracts assets, whereas in contracts in which goods or services transferred are lower than the amount billed by the customer, the difference is recognized as construction contracts liabilities.

9 Provision

Provisions represent approximate cost of works which were expected to be performed by the subcontractors by the end of the reporting period, but had not yet been formally reviewed, accepted and mutual acceptance act was not signed by that date for those works. Final amount of agreed works may differ from the management's current estimates. Provisions are initially calculated in USD and, for the purposes of reporting GEL amounts in the statement of financial position, are translated to GEL at the exchange rate prevailing at the reporting date. The amount of change in provision is reported in the Statement of profit or loss and other comprehensive income. The amount reported in the Statement of profit or loss in USD is the amount of change between balances of the provision expressed in USD, but, unlike other items in the Statement of profit or loss the amount reported in GEL is not the equivalent calculated by applying average annual exchange rate to the USD-reported amount,, but is stated as difference between opening and closing balances of the provisions reported in GEL in the statement of financial position.

10 Financing from head office

The Branch's operations are financed by its head office. Most of the financing for the Branch's project is received in cash from the head office, though head office financing also includes reimbursement of the Branch's expenses directly by the head office for which cash does not go through the Branch's accounts but is paid directly by the head office. This mainly includes health insurance payments in Turkey for the employees of the Branch. The Branch periodically pays cash back to the head office, returning received financing. Until cash returned to the head office does not exceed financing received, this is not considered to be the profit distribution.

11 Gain/(loss) from exchange differences

	Year 2022	Year 2022	Year 2021	Year 2021
	In GEL	In USD	In GEL	In USD
Cash	(287,274)	(98,529)	(138,793)	(43,091)
Financial liabilities	647,521	222,086	78,629	24,412
Total	**360,247**	**123,557**	**(60,164)**	**(18,679)**

12 Subsequent events

There were no subsequent events after the reporting period that requires adjustment in the financial statements or/and that requires to be disclosed in the notes to the financial statements.

13 Critical accounting estimates and judgments

13.1 Critical accounting estimates

The Branch makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Construction contracts. As already described in note 2.8, when the outcome of construction contract can be estimated reliably, revenues are recognised by reference to the actual costs incurred during the period as percentage of total contract costs at the end of the reporting period.

The cost-based input method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks (including technical, political and financial risks) and other judgements. Although these information is available on the balance sheet date, substantial changes after the balance sheet date are possible.

13.2 Key assumptions concerning the future

These financial statements have been prepared by management on the assumption that the Branch will continue as a going concern, which presumes that the Branch will, for the foreseeable future, be able to realize its assets and discharge its liabilities in the normal course of business.

The Branch has been established with the specific purpose of implementing construction project at the port of Poti at Georgia’s Black Sea shore. The project’s first phase is expected to be completed in 2023. Currently the Branch is in negotiations with the client about continuation of works on the second phase of the project. At the date of signature of these financial statements it’s still not completely clear whether the Branch will sign the contract for phase two of the project and therefore, whether the Branch will continue operations in Georgia. However, the management believes the negotiations will be completed successfully, the Branch will sign contract for the second phase and will continue working in Georgia.

Management of the Branch believes that preparation of the accompanying financials statements on the going concern basis is appropriate because of the followings:

- The Head Office’s firm intention is to develop the Branch’s business activities as it’s of strategic importance to be presented in Georgia. The negotiations about the final price of the second phase of the contract are on the final stage and it is highly probable of positive outcome of the negotiations because of good working experience when completing the Phase A project.
- There are significant penalties included in Phase A project agreement, if APM Terminal wouldn’t give Phase B works to the Branch.
- When assessing the probability of winning the Phase B, management considers fact that the Branch has an experience on underwater works, has completed all works on-time and has practical experience working in Georgia with APM Terminal and there will be very hard to find another competitor.
- The design of the whole project is implemented by the Branch and the other Company probably would have significant additional experience to match design to own capabilities.

14 Financial instruments

14.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2.5.

14.2 Categories of financial instruments

All financial assets and financial liabilities, which are presented in the statement of financial position as at 31 December 2021 are measured at amortized cost.

15 Financial risk management

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

Financial risk factors

a) Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, which result from its operating activities.

Foreign currency risk – from Georgian lari reporting perspective

Most of the Branch's transactions are denominated in US dollar, though paid in Georgian lari. Exposures to currency exchange rates arise from the Branch's construction contract which is denominated in US dollar and from contracts with subcontractors and employees, also denominated in US dollar.

Foreign currency denominated financial assets and liabilities which expose the Branch to currency risk are disclosed below.

The amounts shown are those reported to key management translated into Georgian lari at the closing rates:

Item	US dollar	Euro	Lari	TOTAL
Financial assets				
Cash and Cash Equivalents	22,738	421	1,141,879	1,165,038
	22,738	**421**	**1,141,879**	**1,165,038**
Financial liabilities				
Trade payables	969,530	-	23,703	993,233
	969,530	**-**	**23,703**	**993,233**
Net position	**(946,792)**	**421**	**1,118,176**	**171,805**

If Georgian lari had weakened against US dollar by 15% then the Branch would incur 489,257 Georgian lari additional loss, based on the currency positions as of 31 December 2022 as reported above.

If Georgian lari had weakened against Euro by 15% then the Branch would incur 57,543 Georgian lari additional loss, based on the currency positions as of 31 December 2021 as reported above.

The above sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 15% change in foreign currency rates.15% represents management's assessment of the possible change in foreign exchange rates.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Branch. The Branch is exposed to credit risk from financial assets, including cash and cash equivalents held at banks.

The credit risk is managed in accordance with the Head Office's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions. The Branch does not hold any security on the trade receivables balance. In addition, the Company does not hold collateral relating to other financial assets (e.g. cash and cash equivalents held with banks).

c) Liquidity risk

Liquidity risk is the risk that the Branch will be unable to meet its obligations.

The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances for making all operational and debt service related payments when those become due.

The following table details the Branch's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

2021 **Georgina lari**	**Non-interest bearing**	**Fixed interest rate instruments**	**Floating interest rate instruments**	**Total**
Weighted average effective interest rate (%)				
1 month to 12 months	3,820,165	122,525	-	3,942,690
	3,820,165	**122,525**	**-**	**3,942,690**

2022 **Georgina lari**	**Non-interest bearing**	**Fixed interest rate instruments**	**Floating interest rate instruments**	**Total**
Weighted average effective interest rate (%)				
1 month to 12 months	993,233	-	-	993,233
	993,233	**-**	**-**	**993,233**

The following table shows the same information with amounts expressed in US dollars

2021 **US dollar**	**Non-interest bearing**	**Fixed interest rate instruments**	**Floating interest rate instruments**	**Total**
Weighted average effective interest rate (%)				
1 month to 12 months	1,233,266	39,555	-	1,272,821
	1,233,266	**39,555**	**-**	**1,272,821**

2022 US dollar	Non-interest bearing	Fixed interest rate instruments	Floating interest rate instruments	Total
Weighted average effective interest rate (%)				
1 month to 12 months	367,592	-	-	367,592
	367,592	**-**	**-**	**367,592**

Under the “non-interest bearing” financial liabilities are include trade payables and “fixed interest rate instruments” include the Branch’s lease liabilities.

The Branch considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and trade receivables. The Branch’s cash resources exceed the current cash outflow requirements

16 Fair value measurement

The Company provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

16.1 Fair value measurement of financial instruments

Financial instruments measured at amortized cost for which the fair value is disclosed

Management believes that fair values of financial assets and financial liabilities measured at amortized cost approximate their carrying amounts. Fair value has been determined by discounting the relevant cash flows using market interest rates for similar instruments. As a result of this exercise, most significant input is the discount rate. Estimated fair values of the above financial assets and financial liabilities are classified within Level 3 of the fair value hierarchy

16.2 Fair value measurement of non-financial assets

The Branch has no non-financial assets measured at fair value on a recurring basis as of 31 December 2021.

17 Commitments

17.1 Legal commitments

As of the reporting date the Branch had no legal commitments or any ongoing or expected legal disputes with any third parties.

18 Contingencies

18.1 Taxes

The taxation system in Georgia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Georgia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

18.2 Business environment

Georgia continues to undergo political and economic changes. As an emerging market, Georgia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

19 Related parties

The Company's related parties include its parent and entities under common control, key management and others as described below

19.1 Control relationships

STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH (the “Branch”) is a branch of Joint Stock Company STFA INSAAT ANONIM SIRKETI, 128290-0, established in Turkey. The related parties of Joint Stock Company STFA INSAAT ANONIM SIRKETI, 128290-0, Turkey, are therefore related parties to the Branch too.

19.2 Transactions with related parties

During the reporting year the Company had the following transactions with the related parties.

Transactions	**Year 2022**	**Year 2022**	**Year 2021**	**Year 2021**
	In GEL	**In USD**	**In GEL**	**In USD**
Key management				
Salaries and bonuses	586,057	216,897	271,912	84,420

The Branch had no outstanding balances to related parties as of the reporting date

Management Report of STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH

Management Report

For the Year Ended on 31 December 2022

STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH (I.N. 405462921)

Report prepared in accordance with the requirements of Article 7, paragraph 10 of the Georgian Law on Accounting, Reporting and Auditing

Report Date: 20 September 2023

Introduction

Below is presented management report of STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH ("the Branch"). The report describes operating environment of the Branch, business model, core activities, financial results, related risks and future plans.

1. Short Overview of Branch and of its Activities

STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH is a branch of Joint Stock Company STFA INSAAT ANONIM SIRKETI, 128290-0, one of the world's leading international contractors, active since 1938.

The Branch has been registered in Georgia on 25 May 2021 with corporate identification number 405462921. The legal address of the Branch is Tbilisi, Saburtalo District, Merab Aleksidze st. N12, Floor 7, Office space N38, Block "B".

The Branch is a temporary establishment - it has been established with the specific purpose of implementing construction project at the port of Poti at Georgia's Black Sea shore. The project has several phases and the Branch currently is completing the Phase 1A.

The Branch's major revenue line is revenue from construction works for Poti Sea Port Expansion Project. Under construction contract, the Branch is responsible to the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, hiring subcontractors, mechanical and electrical work, installation of fixtures etc.

The average number of employees of the Branch during the year ended 31 December 2022 was 38 employees (2021: 26 employees).

2. Shareholders

STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH, as a branch legally has no separate shareholders and is fuly owned by the Head Office.

3. Charter Capital

STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH, as a branch legally has no Charter Capital but is directly financed by the Head Office.

4. Short Financial Overview

The Branch published its first audited financial statements in accordance with International Financial Reporting Standards (IFRS) in 2022 for the year ended on 31 December 2021.

The audit of the Branch's financial statements is conducted by Grant Thornton LLC.

The short financial information of the Branch is presented below:

Statement of financial position

In USD	As of 31 December 2022	As of 31 December 2021
Total Assets	**4,648,600**	**2,944,257**
Total Liabilities	**1,632,753**	**2,180,371**

Financing from Head Office	399,554	254,548
Retained earnings	2,211,048	528,174
Currency translation difference	405,245	31,164
Total Funds	**3,015,847**	**813,886**

Statement of profit or loss and other comprehensive income

In USD	Year ended 31 December 2022	Year ended 31 December 2021
Revenue from construction	10,883,048	5,093,382
Other revenue and incomes	23,050	28,723
Sub-Contract Expenses	(5,028,597)	(2,966,572)
NET REVENUE	**5,877,501**	**2,155,533**
TOTAL EXPENSES	**(4,194,627)**	**(1,627,359)**
PROFIT/(LOSS) FOR THE YEAR	**1,682,874**	**528,174**
Other Comprehensive income	374,081	31,164
TOTAL COMPREHENSIVE INCOME	**2,056,955**	**559,338**

5. Development plan and future Steps

The Branch has been established with the specific purpose of implementing construction project at the port of Poti at Georgia's Black Sea shore and the project's first phase is expected to be completed in 2023.

Currently the Branch is in negotiations with the client about continuation of works on the second phase of the project and the future activities of the Branch are completely dependent on the outcome of these negotiations. Management of the Branch believes that the Head Office's firm intention is to develop the Branch's business activities as it's of strategic importance to be presented in Georgia. The negotiations about the final price of the second phase of the contract are on the final stage and it is highly probable of positive outcome of the negotiations because of good working experience when completing the Phase A project. Management is convinced that there are high chances for the Branch to win the second phase and continue works on Poti Sea Port Expention Porject. When assessing the probability of winning the Phase B, management considers fact that the Branch has an experience on underwater works, has completed all works on-time and has practical experience working in Georgia with APM Terminal and there will be very hard to find another competitor. The design of the whole project is implemented by the Branch and the other Company probably would have significant additional experience to match design to own capabilities.

The management believes the negotiations will be completed successfully, the Branch will sign contract for the second phase and will continue working in Georgia.

6. Research and development

The Branch has no Research and Development activities.

7. Overview of risks

Financial Risk Management

The management has overall responsibility for the establishment and oversight of the Branch's risk management framework and is responsible for developing and monitoring the Branch's risk management policies and reporting regularly to the parent company on its activities.

The branch's risk management policies are established to identify and analyse the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities. The Branch, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Branch is exposed to certain credit, liquidity and market risks. The Branch incurs expenses in currencies other than its functional currency, thus it is exposed to foreign currency exchange risk arising from fluctuations in currency exchange rates.

The Branch does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources which are replenished from the results of its operations.

The Branch is mainly exposed to market and credit risks. The Branch does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Branch is exposed are described below.

Financial risk factors

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Branch does not apply hedge accounting to manage volatility in profit or loss.

Currency risk

The Branch is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currency of the Branch. The Branch is not significantly exposed to currency risk on purchases and sales, that are not denominated in a currency other than the functional currency of the Branch, the currencies in which these transactions primarily are denominated are USD.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Branch. The Branch is exposed to credit risk from financial assets, including cash and cash equivalents held at banks, trade and other receivables.

The credit risk is managed based on the Branch's credit risk management policies and procedures. The management bvelieves the Branch has no material credit risk as far as its trade receivable is from only one customer - Poti Sea Port Corporation, which is not expected to not meet its obligations and the credit risk in respect of cash balances held with banks and deposits is also negigible, as these balances are only with major reputable financial institutions.

Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Branch's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Branch's reputation. Typically, the Branch ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Management report was approved on 20 September 2023 by:

Zafer Boztuna

Director

STFA INSAAT ANONIM SIRKETI GEORGIAN BRANCH (Tax ID: 405462921)

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