Gardabani Sewage Treatment Plant LLC

Financial statements

for the year ended 31 December 2023
with independent auditor's report

Statement of financial position

As at December 31, 2023

(Amounts expressed in thousands of Georgian Lari)

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Statement of financial position

As at December 31, 2023

(Amounts expressed in thousands of Georgian Lari)

	Note	December 31 2023	December 31 2022
Assets			
Non−current assets			
Property, plant and equipment	5	53,941	55,520
Investment property		524	403
Non-current assets		94	216
Total non−current assets		**54,559**	**56,139**
Current assets			
Inventories		272	331
Trade and other receivables	6	10,282	22,290
Prepaid taxes other than income tax		-	1
Prepayments		24	92
Cash and cash equivalents	15	187	51
Total current assets		**10,765**	**22,765**
Total assets		**65,324**	**78,904**
Equity			
Charter capital	7	11,359	11,359
Retained earnings		23,984	17,416
Total equity		**35,343**	**28,775**
Liabilities			
Non−current liabilities			
Borrowings	8	29,320	47,541
Total non−current liabilities		**29,320**	**47,541**
Current liabilities			
Borrowings	8	-	2,108
Trade and other payables	9	652	347
Other taxes payable		10	133
Total current liabilities		**662**	**2,588**
Total liabilities		**29,982**	**50,129**
Total liabilities and equity		**65,325**	**78,904**

Approved for issue and signed by Management on June 29, 2023:

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José Miguel Santos Gonzalez
Chief Executive Officer

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Nino Tsurtsumia
Chief Financial Officer
Georgian Water and Power Company LLC.

The accompanying notes on pages 5 to 19 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

	Note	2023	2022
Revenue from wastewater treatment	11	16,775	15,610
Total revenue		**16,775**	**15,610**
Salaries and other employee benefits	12	(1,272)	(1,037)
Taxes other than income tax		(547)	(571)
Electricity and transmission costs		(422)	(361)
General and administrative expenses		(431)	(281)
Raw materials, fuel and other consumables		(272)	(239)
Professional fees		(127)	(78)
Maintenance expenditure		(124)	(60)
Other operating expenses		(211)	(220)
Allowance for impairment of trade receivables		(15)	-
Other income		125	-
		(3,296)	**(2,847)**
EBITDA		**13,479**	**12,763**
Finance costs	8	(3,602)	(5,252)
Foreign exchange gain		839	7,497
Depreciation and amortisation	5	(3,437)	(3,419)
Net loss from write−off and disposal of property and equipment		(711)	
Profit before income tax expense		**6,568**	**11,589**
Income tax expense		-	–
Profit for the year		**6,568**	**11,589**
Other comprehensive income		-	–
Total comprehensive income/(loss) for the year, without taxes		**6,568**	**11,589**

The accompanying notes on pages 5 to 19 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

	Charter capital	*Retained earnings*	*Total*
Balance as at 1 January 2022	**11,359**	**5,827**	**17,186**
Profit for the year	-	11,589	**11,589**
Total comprehensive income for the year	**-**	**11,589**	**11,589**
Balance as at 31 December 2022	**11,359**	**17,416**	**28,775**
Profit for the year	-	6,568	**6,568**
Total comprehensive income for the year	**-**	**6,568**	**6,568**
Balance as at 31 December 2023	**11,359**	**23,984**	**35,343**

The accompanying notes on pages 5 to 19 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

	Note	*2023*	*2022*
Cash flows from operating activities			
Profit before income tax		**6,568**	**11,589**
Adjustments for:			
Depreciation and amortization	5	3,437	3,419
Loss from disposal and write-off of property and equipment		711	-
Revaluation (gain)/loss on investment property		(121)	50
Net foreign exchange gains		(839)	(7,497)
Allowance for impairment of trade receivables		15	-
Finance costs	8	3,602	5,252
Operating cash after working capital changes			
Change in inventories		58	(10)
Change in trade and other receivables		11,993	(7,041)
Change in prepaid taxes other than income		1	(1)
Change in prepayments		68	30
Change in trade and other payables		148	(179)
Change in other tax payables		(123)	(190)
Net cash from operating activities		**25,518**	**5,422**
Cash flows from investing activities			
Proceeds from disposal of investment property		-	1,144
Purchase of property, plant and equipment	5	(2,279)	(487)
Interest received		1	1
Net cash (used in)/from investment activities		**(2,278)**	**658**
Cash flows from financing activities			
Repayment of borrowings	8	(18,075)	(1,165)
Interest paid	8	(5,021)	(4,835)
Net cash used in financing activities		**(23,096)**	**(6,000)**
Effect of exchange rate changes on cash and cash equivalents		(8)	(41)
Net change in cash and cash equivalents		**136**	**39**
Cash and cash equivalents at the beginning of year	15	51	12
Cash and cash equivalents at the end of year	15	**187**	**51**

The accompanying notes on pages 5 to 19 are an integral part of these financial statements.

(Amounts expressed in thousands of Georgian Lari)

1. Corporate information

Gardabani Sewage Treatment Plant LLC the “Company”) was incorporated on December 20, 1999 based on the decree of Tbilisi City Court and set up as a limited liability company in accordance with the legislation of Georgia.

The Company’s principal business activities are provision of wastewater services for legal entities and for the population in Tbilisi, Rustavi and adjacent villages. Company owns and operates water and wastewater infrastructure assets used in the sewage treatment system.

The Company’s registered address is at 10, Medea (Mzia) Jugheli Street, Tbilisi, 0179, Georgia.

As at 31 December 2023 and 2022, the Company was 100% owned by Georgia Global Utilities JSC (the “GGU” or the “Parent”), 80% of which is owned by FCC Aqualia S.A. (“Aqualia”),

The Company’s activities are managed by Georgian Water and Power LLC (“GWP” or “the Management company”), a 100% subsidiary of the Parent, according to a respective management contract.

2. Basis of preparation

These financial statements of the Company for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations issued by the International Accounting Standards Board (“IASB”) effective for 2023 reporting.

The financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at fair value.

The financial statements are presented in thousands of Georgian Lari (“GEL”), unless otherwise indicated.

3. Summary of material accounting policies

Adoption of new or revised standards and interpretations

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the financial statements of the Company, except as discussed below:

- *IFRS 17 Insurance Contracts*
- *Definition of Accounting Estimates – Amendments to IAS 8*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*
- *International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Company revised its disclosure of accounting policies as presented in this note. The revised material accounting policy information focuses on how the Company has applied the requirements of the IFRSs to its own circumstances and includes largely items where the Company chose an accounting policy from one or more options permitted by IFRSs, items subject to significant judgments or estimates, and excludes information that only duplicates or summarizes the requirements of IFRSs, as well as accounting policies about immaterial matters.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of material accounting policies (Continued)

Standards issued but not yet effective

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

► Amendments to IFRS 16: Lease liability in a Sale and Leaseback − The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Amendments to IAS 1: Classification of Liabilities as Current or Non−current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non−current. The amendments clarify:

► What is meant by a right to defer settlement
► That a right to defer must exist at the end of the reporting period
► That classification is unaffected by the likelihood that an entity will exercise its deferral right
► That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
► In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non−current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.
► The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements − Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation in Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information. IFRS 18, and the consequential amendments to the other accounting standards (such as IAS 7, IAS 33, IAS 8 and IAS 34), is effective for reporting periods beginning on or after 1 January 2027 and will apply retrospectively. Early adoption is permitted and must be disclosed.
The Company expects IFRS 18 affect presentation and disclosures in its financial statements and currently evaluates the impact of the new standards.

IFRS 19 - Subsidiaries without Public Accountability: Disclosures

In May 2024, the Board issued IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. An entity applying IFRS 19 is required to disclose that fact as part of its general IFRS accounting standards compliance statement. IFRS 19 requires an entity whose financial statements comply with IFRS accounting standards including IFRS 19 to make an explicit

(Amounts expressed in thousands of Georgian Lari)

and unreserved statement of such compliance. An entity may elect to apply IFRS 19 if at the end of the reporting period:
• It is a subsidiary as defined in IFRS 10 Consolidated Financial Statements;
• It does not have public accountability; and
• It has a parent (either ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards
An entity has public accountability if:
• Its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market; or
• It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (i.e., not for reasons incidental to its primary business).

IFRS 19 is effective for reporting periods beginning on or after 1 January 2027 and earlier adoption is permitted. If an eligible entity chooses to apply the standard earlier, it is required to disclose that fact. An entity is required, during the first period (annual and interim) in which it applies the standard, to align the disclosures in the comparative period with the disclosures included in the current period under IFRS 19, unless IFRS 19 or another IFRS accounting standard permits or requires otherwise.

The Company currently evaluates its eligibility for the new standard and, if deemed to be eligible, whether and when to apply the new standard.

Fair value measurement

The Company measures investment properties at fair value at each balance sheet date. Fair value of the financial instruments measured at amortized value is provided in Note 15.

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

3. Summary of material accounting policies (continued)

Financial assets (continued)

Financial assets in the scope of IFRS 9 are classified at initial recognition, as subsequently measured at amortised cost, FVOCI, and fair value through profit or loss (“FVPL”).

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For purposes of subsequent measurement, financial assets of the Company are classified as financial assets at amortised cost, which include trade and other receivables, and cash and cash equivalents.

(Amounts expressed in thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Financial assets (continued)

Impairment of receivables

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

A financial asset is credit−impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence of impairment may include:

- Significant financial difficulty of the counterparty;
- A breach of agreement, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- There is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

If, in a subsequent year, the amount of the estimated ECLs increases or decreases, the previously recognised ECLs are increased or reduced by adjusting the allowance account. If a future write−off is later recovered, the recovery is credited to the profit or loss in the allowance for impairment of trade receivables line with a negative sign as a reversal of impairment.

Expected credit losses of the trade receivables of the entities under the common control of the Parent are assessed considering actual or implied credit rating of the borrower, availability of support from borrower's related parties and other relevant information available to the management as at the assessment date, including forward−looking information available without undue cost or effort.

Derecognition of financial instruments

Financial assets

Uncollectible assets are written off against the related ECL allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Write−off constitutes a derecognition event.

3. Summary of significant accounting policies (continued)

Financial liabilities

All of the Company's financial liabilities, including borrowings and trade and other payables, are carried at amortised cost. The Company's borrowings comprise of loan from the Parent.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original

(Amounts expressed in thousands of Georgian Lari)

liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Property, plant and equipment

Infrastructure assets comprise facilities, machinery and equipment and pipelines. Investment expenditure on infrastructure assets relating to increases in capacity or enhancements of the network and asset replacements to maintain the operating capability of the network is treated as an addition and initially recorded at cost, whilst repair and maintenance expenditure which does not enhance the asset's base is charged as an operating cost.

The Company owns real estate that mainly consists of administrative buildings and operational premises.

Depreciation of an asset commences from the date the asset is ready and available for use. Depreciation is calculated on a straight−line basis over estimated useful lives. Existing useful lives applicable for several classes of property, plant and equipment are:

	Useful lives
Real estate	Up to 60 years
Infrastructure assets	5−45 years
Fixtures and fittings	5−10 years
Vehicles	5−10 years

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Investment property

Investment property is represented by land and buildings that are not occupied substantially for use by, or in the operations of the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income, capital appreciation or both..

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise and presented in Other income.

3. Summary of significant accounting policies (continued)

Taxation

The annual profit earned by entities other than banks, insurance companies and microfinance organizations is not taxed in Georgia starting from 1 January 2017. Corporate income tax is levied on profit distributed as dividends to the shareholders that are individuals or non−residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. The companies are able to offset corporate income tax liability arising from dividend distributions out of profits earned in 2008−2016 by the amount of corporate income tax paid for the respective period under the current regulation. Dividends distributions between Georgian resident companies is not subject to corporate income tax. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia.

(Amounts expressed in thousands of Georgian Lari)

Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks with original maturities of three months or less and are subject to insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Charter capital

The amount of the Company's authorised charter capital is defined by the Company's charter. The changes in the Company's charter (including changes in charter capital, ownership, etc.) shall be made only based on the decision of the Company's shareholder. The authorised capital is recognised as charter capital in the equity of the Company to the extent that it was paid.

Value added tax

Value added tax ("VAT", charged at 18% in Georgia) related to sales is payable to tax authorities when goods are shipped or services are rendered. Input VAT is recognised upon the receipt of a tax invoice from a supplier but is reclaimable against sales VAT only upon a payment of such invoice. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which have not been settled at the end of the reporting period is recognised in the statement of financial position on a net basis. ECLs are recorded for the gross amount of the debtor, including VAT.

3. Summary of material accounting policies (continued)

EBITDA

The Company separately presents EBITDA on the face of statement of profit or loss and other comprehensive income. EBITDA is not defined in IFRS and is defined by the Company as earnings before interest, taxes, depreciation and amortisation, and is derived as the Company's profit before income tax expense but excluding the following line items: depreciation and amortisation, interest income, finance costs, net foreign exchange gains or losses..

Functional currencies and foreign currency translation

The Company's financial statements are presented in Georgian Lari, which is also the Company's functional currency.

Differences between the contractual exchange rate of a certain transaction and the National Bank of Georgia ("NBG") exchange rate on the date of the transaction are included in foreign exchange losses less gains. The official NBG exchange rates as at 31 December 2023 and 2022 were 2.6894 and 2,7020. GEL to 1 USD.

Income and expense recognition

Revenue is recognized when the Company satisfies a performance obligation at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring the goods and services to a customer. The following specific principles also apply to the Company's major classes of revenues:

Revenue from wastewater treatment

Revenue from wastewater treatment is recognized on the basis of the volume of wastewater flowing into the sewage pipes and by application of the respective fixed price. Company determines the price based on the methodology applied by Georgian National Energy and Water Supply Regulatory Commission (GNERC).

(Amounts expressed in thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

4. Significant accounting judgements and estimates

The Company 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 recognised 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:

Indications of impairment for property, plant and equipment

The Company prepared property, plant and equipment impairment indications analysis as at 31 December 2023. Company concluded that there are no indications for the potential impairment of property, plant and equipment and recovery of previously recognized impairment. The Company determined that it constitutes a single cash-generating unit.

IAS 36 – Impairment of Assets requires entities to assess if an asset is impaired at the end of a reporting period. If there are indications of impairment, the asset's recoverable amount must be estimated.
External Sources of Information:

- **Market Value:** No significant changes in the company's value since the last valuation.
- **Environmental Changes:** No adverse changes in the technological, market, economic, or legal environment that could affect asset value.
- **Macro-Economic Indicators**: No anticipated drastic changes expected to impact the company's business.

Internal Sources of Information:

- **Obsolescence/Damage:** No evidence of obsolescence or physical damage.
- **Asset Usage:** No assets are idle, part of restructuring, or expected to be disposed of before the end of their useful life.

Conclusion: For FY2023, there are no indicators of additional impairment or recovery of previously recognized impairment.

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates. Useful lives for new additions are established considering GNERC's requirements.

4. Significant accounting judgements and estimates (continued)

Expected credit losses in respect of trade and other receivables

Expected credit losses in respect of trade and other receivables for the entities under common control was assessed as insignificant. Company considers that the debtors of the related parties are capable of paying all amounts due entirely and in a timely manner. Expected credit losses from trade and other receivables due from third parties were assessed as GEL 77 as of 31 December 2023.

(Amounts expressed in thousands of Georgian Lari)

5. Property, plant and equipment

Property, plant and equipment movements in 2023:

	Land plots	*Real estate*	*Infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost							
December 31, 2022	**1,980**	**9,179**	**62,734**	**550**	**729**	**1,738**	**76,911**
Additions	-	2	66	2	5	2,495	**2,570**
Disposals	-	-	-	-	(5)	(709)	**(714)**
Transfers	-	281	1,705	-	29	(2,015)	**-**
December 31, 2023	**1,980**	**9,462**	**64,505**	**552**	**757**	**1,510**	**78,767**
Accumulated depreciation and impairment							
December 31, 2022	**201**	**870**	**19,791**	**211**	**318**	**-**	**21,391**
Depreciation charge	-	162	3,150	50	75	-	**3,437**
Disposals	-	-	-	-	(2)	-	**(2)**
December 31, 2023	**201**	**1,033**	**22,941**	**261**	**391**	**-**	**24,825**
Net book value							
December 31, 2022	**1,779**	**8,309**	**42,943**	**339**	**411**	**1,738**	**55,520**
December 31, 2023	**1,779**	**8,430**	**41,564**	**291**	**367**	**1,510**	**53,941**

In 2023, the company disposed those projects, that are not deemed to be ultimately exploited (GEL 709),

The movements in property, plant and equipment in 2022 were as follows:

	Land Plots	*Real estate*	*Infrastructure assets*	*Vehicles*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost							
December 31, 2021	**1,980**	**9,169**	**62,346**	**505**	**727**	**1,887**	**76,614**
Additions	-	-	14	1	-	282	**297**
Transfers	-	10	373	44	2	(430)	**-**
December 31, 2022	**1,980**	**9,179**	**62,734**	**550**	**729**	**1,738**	**76,911**
Accumulated depreciation and impairment							
December 31, 2021	**201**	**708**	**16,654**	**165**	**245**	**-**	**17,972**
Depreciation charge	-	162	3,137	46	74	-	**3,419**
December 31, 2022	**201**	**870**	**19,791**	**211**	**318**	**-**	**21,391**
Net book value							
December 31, 2021	**1,779**	**8,462**	**45,692**	**340**	**482**	**1,887**	**58,642**
December 31, 2022	**1,779**	**8,309**	**42,943**	**339**	**411**	**1,738**	**55,520**

6. Trade and other receivables

	December 31, 2023	*December 31, 2022*
Trade receivables for wastewater treatment due from related parties	10,268	22,261
Other trade receivables for wastewater treatment	13	13
Total trade receivables	**10,281**	**22,274**
Other receivables	42	42
Less allowance for expected credit losses	(41)	(26)
Total other receivables, net	**1**	**16**
Total current trade and other receivables, net	**10,282**	**22,290**

The management made analysis by credit quality of trade and other receivables. As of December 31, 2022 and 2023 trade for wastewater treatment are overdue, but not impaired.

(Amounts expressed in thousands of Georgian Lari)

Aging analysis of trade and other receivables per classes as at 31 December 2023 is as follows:

31-Dec-23	**<30 days**	**30-60 days**	**61-90 days**	**>90 days**	**Total**
Trade and other receivables	2,841	1,441	1,475	4,524	**10,281**

Aging analysis of trade and other receivables per classes as at 31 December 2022 is as follows:

31-Dec-22	**<30 days**	**30-60 days**	**61-90 days**	**>90 days**	**Total**
Trade and other receivables	2,599	1,309	1,328	17,038	**22,274**

Expected credit loss as of December 31, 2022 and 2023 for entities under common control was insignificant. Refer to Note 14.

7. Equity

Charter capital

As of December 31, 2022 and 2023, the Company had fully contributed charter capital of GEL 11,359.

Dividends

For the years ended December 31, 2022 and 2023, no dividends were declared and paid to the Parent.

Management of capital

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain sufficient size to make the operation of the Company cost−efficient.

To achieve these goals the Company performs a detailed analysis of capital structure considering the amount of borrowings and the level of own capital available. The Company defines capital for capital management purposes as equity recognized in the financial statements. There are no externally imposed capital requirements to which the Company is subject to.

There were no changes in the objectives, policies or processes for managing capital in 2023 and 2022.

8. Borrowings

	December 31, 2023		***December 31, 2022***	
	Current liabilities	***Non−current liabilities***	***Current liabilities***	***Non−current liabilities***
Loans from the Parent	-	29,320	2,108	47,541
Total borrowings	**-**	**29,320**	**2,108**	**47,541**

As of December 31, 2023, the Company has USD denominated loan from the Parent of GEL 29,320 (2022: GEL 49,649) with interest rate of 10%.. The loan matures on 31 July 2025..

Changes in liabilities arising from financial activities

	Borrowings
Carrying amount as of December 31, 2021	**57,969**
Foreign currency translation	(7,571)
Cash repayments	(1,165)
Interest accrued	5,252

(Amounts expressed in thousands of Georgian Lari)

Interest paid	(4,835)
Other	(1)
Carrying amount as of December 31, 2022	**49,649**
Foreign currency translation	(834)
Cash repayments	(18,075)
Interest accrued	3,602
Interest paid	(5,021)
Carrying amount as of December 31, 2023	**29,320**

9. Trade and other payables

	December 31, 2023	*December 31, 2022*
Payables for non-current assets	179	10
Trade payables	264	135
Intercompany trade payable	147	44
Payables to employees	62	158
Total trade and other payables	**652**	**347**

Trade and other payables are non−interest bearing and are normally settled within 60 days.

10. Contract assets and liabilities

The Company has recognised GEL 16,775 of revenue from contracts with customers in 2023 (2022: GEL 15,610). The disaggregation of revenue from contracts with customers by types are presented in the Note 11.

As of December 31, 2023 the Company has recognized GEL 10,269 of revenue from receivables that are included in the line of trade and other receivables (2022.: GEL 22,262). ECL in relation to those receivables was nil (2022:nil).

Wastewater treatment service term comes within 10 days. However, actual settlement might occur at significantly later date based on the liquidity needs of the Company and its related party debtors. In 2023, the related parties settled GEL 31,786 of accumulated receivables in cash, which resulted in significant decrease in trade receivable balance.

11. Revenue from wastewater treatment

	2023	*2022*
Revenue from wastewater treatment (related parties)	16,773	15,609
Revenue from wastewater treatment (other legal entities)	2	1
Total revenue from wastewater treatment	**16,775**	**15,610**

12. Salaries and other employee benefits

	2023	*2022*
Salaries	1,236	884
Bonuses	36	153
Total salaries and benefits	**1,272**	**1,037**

13. Commitments and contingencies

Environmental matters

The enforcement of environmental regulation in Georgia is evolving and the enforcement position of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the

(Amounts expressed in thousands of Georgian Lari)

current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

14. Financial instruments

Financial instruments overview

Cash and cash equivalents

Cash and cash equivalents as of 31 December 2023 and 2022 includes the funds placed on current accounts in Georgian commercial banks. All Cash and cash equivalents balances are classified as current and not impaired.

As of 31 December 2023 and 2022, the Company did not have any significant financial assets that are past due, except for trade and other receivables (Note 6).

Fair value measurement

All financial instruments for which fair values are disclosed by the Company as of 31 December 2023 and 2022, are measured at fair value using a valuation technique with market observable and unobservable inputs. There were no changes in valuation techniques for Level 3 recurring fair value measurements in 2023 and 2022.

The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated 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. The fair value of fixed rate borrowings (level 2 of fair value hierarchy) is GEL 28,488. Management assessed that the fair values of cash at banks, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short−term maturities of these instruments.

Risk arising from financial instruments

In the course of its ordinary activity the Company is exposed to interest rate, currency, credit and liquidity risks. The Company's management oversees the management of these risks.

Currency risk

Currency risk is the risk that the value or a cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The management of the Company monitors open currency positions in each material currency and, whenever necessary, enters into foreign currency denominated transactions.

As of 31 December 2023 and 2022 currency risk arises from the USD denominated borrowings, respectively:

Currency	***Increase/ decrease in % 2023***	***Effect on profit 2023***	***Increase/ decrease in % 2022***	***Effect on profit 2022***
USD	18.84%	5,547	18.92%	9,393
USD	-18.84%	(5,547)	-18.92%	(9,393)

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk it undertakes by setting limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Such risks are monitored on a continuous basis and subject to an annual or more frequent review.

As of 31 December 2023 and 2022, the Company has no other significant financial assets subject to credit risk except for:

- Cash and cash equivalents: as of 31 December 2023 out of total Cash and cash equivalents GEL 187 was kept with banks having ratings of "BB/bb" from Standard & Poor's, "B1/NP" (FC) & "Ba3/NP" (LC) from Moody's and "BB/bb" from Fitch Ratings (2022.: Cash and cash equivalents: GEL 51);
- Trade and other receivables (Note 6).

  Majority of the Company's receivables are due from the Management company. These receivables might be settled significantly later than their contractual due date based on the liquidity needs of the Company and the Management company. The Company does not evaluate overdue status of receivables from the Management Company and other related parties to be an indicator of credit impairment, as it evaluated that the Management Company has the ability to settle the outstanding amounts in full as at the reporting date. In 2023, GEL 31,786 outstanding receivables were repaid in cash by related parties. Based on that individual assessment, the Company assessed ECL in relation to related party receivables as immaterial.

(Amounts expressed in thousands of Georgian Lari)

As of 31 December 2022 and 2023, carrying values of financial instruments best represent their maximum exposure to the credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its payment obligations associated when they fall due under normal or stress circumstances. Management monitors rolling forecasts of the Company's cash flows on a monthly basis. The Company seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables. The Company expects to be able to discharge all its liabilities as they come due by applying proceeds from operations (including those from settlement of accumulated receivables from related parties) and renegotiating terms of the parent loans if needed.

(Amounts expressed in thousands of Georgian Lari)

14. Financial instruments (continued)

Risk arising from financial instruments (continued)

The table below shows financial liabilities as of 31 December 2023 and 2022 based on contractual undiscounted repayment obligations.

	Less than 1 year	*1-3 years*	*3-5 years*	*Total*
As of 31 December, 2023				
Long−term and short−term borrowings	-	33,837	-	**33,837**
Trade and other payables	652	-	-	**652**
Total future payments	**652**	**33,837**	**-**	**34,489**
As of 31, December 2022				
Long−term and short−term borrowings	4,908	56,964	-	**61,871**
Trade and other payables	347	-	-	**347**
Total future payments	**5,255**	**56,964**	**-**	**62,218**

15. Related parties disclosures

In accordance with IAS 24, *Related Party Disclosures*, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

The Management company GWP, has an authority and responsibility for planning, directing and controlling the activities of Company accordance with the respective management contract. The Company has no other key management personnel.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	December 31, 2023			*December 31, 2022*		
	The Parent	*Managing Company*	*Entities under common control and other related parties*	*The Parent*	*Managing Company*	*Entities under common control and other related parties*
Trade and other receivables (including ECL of nil)	-	10,269	-	-	13,538	8,725
Borrowings as of December 31	**29,320**	**-**	**-**	**49,649**	**-**	**-**
Trade and other payables	-	147	-	-	-	44
Prepayment			15			

(Amounts expressed in thousands of Georgian Lari)

15. Related parties disclosures (continued)

	December 31, 2023			***December 31, 2022***		
	The Parent	***Managing Company***	***Entities under common control and other related parties***	***The Parent***	***Managing Company***	***Entities under common control and other related parties***
Income and expenses						
Revenue from wastewater treatment	-	15,504	1,269	-	14,211	1,398
Finance cost	(3,601)	-	-	(5,251)	-	-
General and administrative costs	-	-	(264)	-	-	(216)
Professional fees for management services	-	(53)	-	-	(53)	-
Other operating expenses	-	(1)	(144)-	-	(1)	(116)

(Amounts expressed in thousands of Georgian Lari)

16. Events after the reporting date

Subsequent to 31 December 2023, the company made a partial repayment of the loan principal (GEL 10,742) and the accrued interest (GEL 2,340) owed to the parent company.