Saguramo Energy LLC

Financial statements

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

Statement of financial position

As at 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

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Statement of financial position

As at 31 December 2023

(Amounts expressed in thousands of Georgian Lari)

	Note	31 December 2023	31 December 2022*
Assets			
Non−current assets			
Property, plant and equipment	5	4,655	5,043
Other non−current assets		50	56
Total non−current assets		**4,705**	**5,099**
Current assets			
Trade and other receivables	6	7,528	5,903
Prepayments		93	70
Inventories		38	16
Cash and cash equivalents	13	11	24
Total current assets		**7,670**	**6,013**
Total assets		**12,375**	**11,112**
Equity			
Charter capital	8	230	230
Retained earnings		8,818	7,694
Total equity		**9,048**	**7,924**
Liabilities			
Non−current liabilities			
Borrowings	9	2,924	2,712
Other non−current liabilities		27	26
Total non−current liabilities		**2,951**	**2,738**
Current liabilities			
Borrowings		-	402
Trade and other payables	10	361	45
Other taxes payable		15	3
Total current liabilities		**376**	**450**
Total liabilities		**3,327**	**3,188**
Total liabilities and equity		**12,375**	**11,112**

* Certain amounts do not correspond to the 2022 financial statements reflecting the presentation of Prepayments and Inventories separately, not under Other current assets.

Approved for issue and signed on behalf of the Management on June 26, 2024

José Miguel Santos Gonzalez
Chief Executive Officer

Nino Tsurtsumia
Chief Financial Officer
Georgian Water and Power LLC

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*
Income from rent		2,309	2,819
Total revenue		**2,309**	**2,819**
Water and electricity costs		(223)	(246)
Salaries and other employee benefits	11	(195)	(125)
Taxes other than income tax		(52)	(52)
Professional fees		(43)	(2)
General and administrative expenses		(6)	-
Allowance for impairment of trade receivables		(-)	-
Other operating expenses		(4)	-
		(523)	**(425)**
EBITDA		**1,786**	**2,394**
Finance costs	9	(263)	(300)
Net foreign exchange gain		15	443
Depreciation and amortisation	5	(413)	(414)
Profit before income tax expense		**1,125**	**2,123**
Income tax expense		-	-
Profit for the year		**1,125**	**2,123**
Other comprehensive income		-	-
Total comprehensive income for the year		**1,125**	**2,123**

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 31 December 2021	**230**	**5,571**	**5,801**
Profit and total comprehensive income for the year	**-**	2,123	**2,123**
Balance as at 31 December 2022	**230**	**7,694**	**7,924**
Profit and total comprehensive income for the year	**-**	1,125	**1,125**
Balance as at 31 December 2023	**230**	**8,818**	**9,048**

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		**1,125**	**2,123**
Adjustments for:			
Depreciation and amortisation	5	413	414
Allowance for impairment of trade receivables		-	-
Net foreign exchange gains		(15)	(443)
Finance costs	9	263	297
Working capital changes			
Change in trade and other receivables		(1,625)	(2,393)
Change in prepayments		(1)	(47)
Change in inventories		(22)	(8)
Change in trade and other payables		293	13
Change in other tax payables		12	-
Net cash from from/(used in) operating activities		**443**	**(28)**
Cash flow from investing activities			
Purchase of property, plant and equipment	5	(18)	(87)
Net cash used in investing activities		**(18)**	**(87)**
Cash flows from financing activities			
Interest paid	9	(435)	-
Net cash used in financing activities		**(435)**	**-**
Effect of exchange rate changes on cash and cash equivalents		(3)	(13)
Net change in cash and cash equivalents		**(13)**	**(128)**
Cash and cash equivalents at the beginning of year	13	24	152
Cash and cash equivalents at the end of year	**13**	**11**	**24**

* Certain amounts do not correspond to the 2022 financial statements reflecting the presentation of Prepayments and Inventories separately, not under Other current assets.

1. Corporate information

Saguramo Energy LLC (the "Company") was incorporated on December 11, 2008, based on the decree of Tbilisi Tax Inspection and was set up as a limited liability company in accordance with legislation of Georgia.

The Company's principal business activities are leasing out electricity generating property, plant and equipment.

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.

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.

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 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.

Financial assets

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.

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.

3. Summary of material accounting policies (continued)

Financial assets (continued)

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.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. ECLs are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows discounted at the original effective interest rate of the asset.

Uncollectible assets are written off against the related ECL provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Note 6 provides further details on assessment and judgement applied in respect with ECL and write−off of trade and other receivables.

Expected credit losses on loans issued are assessed individually 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.

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 Georgian and international financial institutions.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. Summary of material accounting policies (continued)

Property, plant and equipment

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

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.

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.

Cash and cash equivalents

Cash and cash equivalents includes current accounts and 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 shall be made only based on the decision of the Company’s Parent. The authorised capital is recognised as charter capital in the equity of the Company to the extent that it was paid.

3. Summary of material accounting policies (continued)

Value added tax

Value added tax ("VAT", charged at 18% in Georgia) is payable 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.

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.

3. Summary of material accounting policies (continued)

Functional currencies and foreign currency translation

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

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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:

Income from rent of hydro power plant

Income from the rent of a hydro power plant is recognized based on the metered electric power transferred and the application of 90% of the balancing electricity price announced monthly by the Georgian Electricity Market Operator (ESCO).

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:

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.

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 nil as of 31 December 2023 and 31 December 2022 (Note 6).

(Amounts expressed in thousands of Georgian Lari)

5. Property, plant and equipment

The movements in property, plant and equipment in 2023 were as follows:

	Land plots	*Real estate*	*Infrastructure assets*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost						
31 December 2022	**17**	**1,146**	**6,494**	**24**	**172**	**7,853**
Additions	-	-	-	-	24	**24**
31 December 2023	**17**	**1,146**	**6,494**	**24**	**196**	**7,877**
Accumulated depreciation						
31 December 2022	**-**	**124**	**2,662**	**24**	**-**	**2,810**
Depreciation charge	-	19	392	1	-	**412**
31 December 2023	**-**	**143**	**3,054**	**24**	**-**	**3,221**
Net book value						
31 December 2022	**17**	**1,022**	**3,832**	**-**	**172**	**5,043**
31 December 2023	**17**	**1,003**	**3,440**	**-**	**196**	**4,655**

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

	Land plots	*Real estate*	*Infrastructure assets*	*Fixtures and fittings*	*CIP*	*Total*
Historical cost						
31 December 2021	**17**	**1,146**	**5,675**	**24**	**477**	**7,339**
Additions	-	-	-	-	514	**514**
Transfers	-	-	819		(819)	-
31 December 2022	**17**	**1,146**	**6,494**	**24**	**172**	**7,853**
Accumulated depreciation						
31 December 2021	**-**	**105**	**2,270**	**24**	**-**	**2,398**
Depreciation charge	-	19	392	-	-	411
31 December 2022	**-**	**124**	**2,662**	**24**	**-**	**2,810**
Net book value						
31 December 2021	**17**	**1,041**	**3,405**	**-**	**477**	**4,940**
31 December 2022	**17**	**1,022**	**3,832**	**-**	**172**	**5,043**

Infrastructural assets of the Company include piping, turbines and electrical equipment used for the generation of electricity.

(Amounts expressed in thousands of Georgian Lari)

6. Trade and other receivables

As of December 31, 2023 the Company had recognized receivables from the entities under common control in the amount of GEL 7,511 (2022: 5,903) and did not have other receivables in 2023 and 2022.

The carrying amounts of the Company's trade and other receivables approximate their fair values and are denominated in GEL.

ECL from related parties were nil as of December 31, 2023 and 2022.

7. Income from rent of hydro power plant

The Company has recognised GEL 2,309 of income from lease in 2023 (2022: GEL 2,819). As at December 31, 2023 the Company recognized receivables related to lease income in the amount of GEL 7,528 (2022: GEL 5,903, included in trade and other receivables).

8. Equity

Charter capital

As of 31 December 2023 and 2022, the Company had fully contributed charter capital of GEL 230.

In 2023 and 2022, 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.

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.

9. Borrowings

	December 31, 2023		*December 31, 2022*	
	Current liabilities	*Non−current liabilities*	*Current liabilities*	*Non−current liabilities*
Loans from the Parent	-	2,923	402	2,712
Total borrowings	**-**	**2,923**	**402**	**2,712**

As of December 31, 2023, the Company has USD denominated loan from the Parent of GEL 2,923 (2022: 3,114).The loan matures on 31 July 2025 and carries interest rate of 10%.

Changes in liabilities arising from financial activities

	Borrowings
Carrying amount by 31 December 2021	**3,254**
Foreign currency translation	(437)
Interest accrued	297
Carrying amount by 31 December 2022	**3,114**
Foreign currency translation	(19)
Interest accrued	263
Interest paid	(435)
Carrying amount by 31 December 2023	**2,923**

(Amounts expressed in thousands of Georgian Lari)

10. Trade and other payables

	31 December 2023	*31 December 2022*
Intercompany Trade payables due to related parties	290	23
Other trade payables	71	22
Total trade and other payables	**361**	**45**

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

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

12. 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 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)

Risk arising from financial instruments

In the course of its ordinary activity the Company is exposed to credit and liquidity risks. The Company’s management oversees the management of these risks.

(Amounts expressed in thousands of Georgian Lari)

13. Financial instruments (continued)

Risk arising from financial instruments (continued)

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%	551	18.92%	581
USD	-18.84%	(551)	-18.92%	(581)

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 at 31 December 2023 out of total cash and cash equivalents GEL 11 (2022: GEL 24), GEL 11 (2022: GEL 24) 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: GEL 24);
- 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 1,100 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.

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.

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	-	3,344	**-**	**3,344**
Trade and other payables	361	**-**	**-**	**361**
Total future payments	**361**	**3,344**	**-**	**3,705**
As of 31, December 2022				
Long−term and short−term borrowings	566	3,239	**-**	**3,805**
Trade and other payables	45	**-**		**45**

(Amounts expressed in thousands of Georgian Lari)

Total future payments	**611**	**3,239**	**-**	**3,850**

13. 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 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***	***The Parent***	***Managing Company***
Trade and other receivables (including ECL of nil)	**-**	**7,528**	**-**	**5,903**
Trade and other payable		**273**		**23**
Borrowings as of December 31	**2,923**	**-**	**3,114**	**-**

	2023		*2022*	
	The Parent	***Managing Company***	***The Parent***	***Managing Company***
Income and expenses				
Income from rent	-	2,309	-	2,819
Finance cost	(263)	-	(300)	-
Water and electricity costs .	-	(223)	-	(246)

14. Events after the reporting date

Subsequent to 31 December 2023, the company made a repayment of the loan principal (GEL 2,721) and the accrued interest (GEL 391) owed to the parent company.