DataArt Georgia LLC

International Financial Reporting Standard for
Small and Medium-sized Entities (IFRS for SMEs)
Financial Statements

31 December 2023

20 September 2024
Tbilisi, Georgia

Contents

DataArt Georgia LLC
Statement of financial position
(Amounts expressed in Georgian Lari)

	Note	31-Dec-23	31-Dec-22
ASSETS			
Non-current assets			
Property, plant and equipment	4	377,545	829,096
Total non-current assets		**377,545**	**829,096**
Current assets			
Trade and other receivables	5	304,266	200,441
Cash and cash equivalents	6	246,704	312,781
Other assets		21,172	21,505
Total current assets		**572,142**	**534,727**
TOTAL ASSETS		**949,687**	**1,363,823**
EQUITY			
Charter capital		-	-
Retained earnings		572,110	471,959
TOTAL EQUITY		**572,110**	**471,959**
LIABILITIES			
Current liabilities			
Trade and other payables	7	377,577	891,864
Total current liabilities		**377,577**	**891,864**
TOTAL LIABILITIES		**377,577**	**891,864**
TOTAL LIABILITIES AND EQUITY		**949,687**	**1,363,823**

The financial statements were approved on September 30, 2024 by:

Giorgi Egiazaryan — **Elene Beridze**

Director — **Finance Manager**

The accompanying notes on pages 5 to 9 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income

(Amounts expressed in Georgian Lari)

	Note	2023	2022
Revenue		**13,555,777**	**10,832,236**
Labor expenses		(12,136,033)	(8,767,234)
Rent expense		(532,871)	(477,373)
Business trip expense		(47,564)	(17,263)
Depreciation of property, plant and equipment	4	(360,300)	(269,550)
Other expenses	8	(306,680)	(746,413)
Other gains/(losses), net		(72,178)	(46,017)
Operating profit		**100,151**	**508,386**
RESULT FOR THE YEAR		**100,151**	**508,386**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**100,151**	**508,386**

The accompanying notes on pages 5 to 9 are an integral part of these financial statements

	Charter Capital	Retained earnings	Total Equity
Balance at 01 January 2022	-	**(36,427)**	**(36,427)**
Profit for the year	-	508,386	508,386
Total comprehensive income	-	508,386	508,386
Balance at 31 December 2022	-	**471,959**	**471,959**
Profit for the year	-	100,151	100,151
Total comprehensive income	-	100,151	100,151
Balance at 31 December 2023	-	**572,110**	**572,110**

The accompanying notes on pages 5 to 9 are an integral part of these financial statements

	Note	2023	2022
Cash flows from operating activities			
Profit before income tax		100,151	508,386
Adjustments for:			
Depreciation and impairment of property, plant and equipment	4	360,300	269,550
Foreign exchange translation differences		72,178	46,017
Operating cash flows before working capital changes			
(Decrease)/increase in trade and other receivables		(103,492)	(107,423)
Increase in trade and other payables		(514,287)	183,127
(Increase)/decrease in taxes payable			
Net cash from operating activities		(85,150)	899,657
Cash flows from investing activities			
Purchases of property, plant and equipment		91,251	(939,545)
Net cash used in investing activities		91,251	(939,545)
Effect of exchange rate changes on cash and cash equivalents		(72,178)	(46,016)
Cash and cash equivalents at the beginning of the year		312,781	398,685
Cash and cash equivalents at the end of the year	6	246,704	312,781

The accompanying notes on pages 5 to 9 are an integral part of these financial statements

1. Nature of operations and general information

DataArt Georgia LLC ("DataArt" or the "Company") is technology-consulting firm that offers development of software solutions for various business areas. The company has been established on 19 August 2021 and is domiciled in Georgia. The Company has been granted International Company Status According to the Georgian Tax Code article 23, effective from September 1, 2021.

The Company's only shareholder is:
DataArt AM registered in Armenia – 100%

The shareholder of DataArt AM was:
Arsen Baghdasaryan citizen of the Republic of Armenia 100%.

On November 16, 2023 has been change of a shareholder.

The Parent Company's only shareholder is:
DATAART ENTERPRISES INC registered in USA 100%.

The registered address of the company is 42 Rustaveli avenue, Tbilisi, Georgia.

The annual average number of employees during 2023 was 117.

2. Basis of preparation

2.1. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities ("IFRS for SMEs) issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the company operates on a going concern basis.

2.2. Basis of measurement

The financial statements are prepared on the historical cost basis.

2.3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari (GEL), which is the company's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the company.

These financial statements are presented in Georgian Lari, since management believes that this currency is more useful for the users of these financial statements.

2.4. Use of estimates and judgments

The preparation of financial statements in conformity with SME's IFRS requires management to make 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 judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements.

3. Significant accounting policies

3.1 Foreign currency

Foreign currency transactions

In preparing financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the National Bank of Georgia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the National Bank of Georgia prevailing on the reporting date, which is 2.6894 GEL for 1 US dollar as at 31 December 2023 (2022: 2.7020 GEL for 1 US dollar). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated at foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

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

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
Depreciation is charged to the result for the year on a straight line basis over the estimated useful lives of the individual assets. The estimated useful lives are as follows:

- Computer equipment 1- 5 years
- Office equipment 1-5 years
- Furniture and fixtures 1-7 years
- Improvements made to leased assets 1-5 years

3.3 Intangible assets

Intangible assets acquired by the company and which have finite useful life, are stated at cost less accumulated amortization and impairment loss.
Amortization is charged to the result for the year on a straight-line basis over the estimated useful life of the intangible assets, which is estimated at 3 years for accounting software.

3.4 Leased assets

Payments on operating lease are recognized as an expense on a straight-line basis. Associated costs such as maintenance are expensed as incurred.

3.5 Inventories

Inventories are materials or supplies to be consumed in the rendering of services.
Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.6. Cash and cash equivalents

The company's cash and cash equivalents comprise cash in bank accounts and cash in transit. Cash equivalents are held for the purpose of meeting short-term cash commitments.

3.7. Employee Benefits

Employees' short-term compensations include salaries, short-term compensated absences (i.e. annual payable holidays and sick-leave payables) and rewards.

3.8. Income tax

From 1 January 2017, new regulations of Corporate (CIT) income tax have come into force requiring to tax profits on a so called cash basis. Georgian companies are no longer taxable on accrued profits until they are ultimately distributed (or deemed distributed) in the form of dividends to shareholders being non-residents or individuals. Therefore, the taxable point is deferred until the dividend distribution moment. Apart from the classical dividend distribution, the profits may leave the business in different ways.
Ultimately, corporate income tax applies on:
• Profit distribution;
• Non-business expenses;
• Free of charge supply of goods/services/monetary funds;

• Representative expenses above the certain limit.

The applicable CIT rate is 15% (5% for "International Company").

Deferred tax Assets and liabilities as defined in IAS 12 (Income Taxes), not applicable after January 1, 2017.

3.8 Revenue recognition

Revenue of the company is generated from software development services. Revenue is recognized when the company satisfies performance obligation by transferring the promised services to its customers.

The company recognizes contract liabilities for consideration received in respect of unsatisfied performance obligation and reports these amounts as advances from customers in the statement of financial position. Similarly, if the company satisfies a performance obligation before it receives the consideration, the company recognizes either a receivable in its statement of financial position.

Rendering and acceptance of services is evidenced by documents approved by the counterparty. This income is included in "Income from rendering of services".

4. Property and equipment

	Computer equipment	Intangible assets	Office equipment	Furniture and fixtures	Leasehold Improvements	Total
Cost						
As of 31 December 2022	**661,551**	**15,773**	**81,923**	**268,234**	**86,487**	**759,246**
Additions	32,818	18,566	4,246	-	-	**55,629**
Disposals	(82,995)	(2,356)	(12,546)	(151,482)	-	**(97,897)**
As of 31 December 2023	**611,373**	**31,983**	**73,622**	**116,751**	**86,487**	**716,978**
Accumulated depreciation						
As of 31 December 2022	**184,671**	**11,739**	**19,330**	**46,328**	**22,803**	**284,871**
Depreciation charge	221,998	17,668	27,545	70,920	29,344	**367,476**
Eliminated on disposal	(45,023)	(1,047)	(5,532)	(58,075)	-	**(109,676)**
As of 31 December 2023	**361,646**	**28,360**	**41,344**	**59,174**	**52,147**	**542,671**
Carrying amount						
As of 31 December 2022	476,880	4,034	62,593	221,905	63,684	**829,096**
As of 31 December 2023	**249,728**	**3,622**	**32,279**	**57,577**	**34,340**	**377,545**
Carrying amount at 31 December 2023	**249,728**	**3,622**	**32,279**	**57,577**	**34,340**	**1,206,641**

As of December 31, 2023 the Company's fixed assets are not pledged (As of December 31, 2022 the Company's fixed assets are not pledged).

5. Trade and other receivables

	30-Dec-23	31-Dec-22
Trade Receivables	162,407	57,470
Total financial assets within trade and other receivables	**162,407**	**57,470**
Prepayments	141,859	142,971
Total trade and other receivables	**304,266**	**200,441**

6. Cash and bank balances

	30-Dec-23	31-Dec-22
Bank balances payable on demand	246,704	312,781
Total cash and cash equivalents	**246,704**	**312,781**

7. Trade and other payables

	30-Dec-23	31-Dec-22
Trade payables	2,807	2,903
Total financial payables within trade and other payables	**2,807**	**2,903**
Accrued employee benefit costs	324,219	430,066
Prepayments received	50,553	458,896
Total trade and other payables	**377,579**	**891,865**

8. Other expenses

	2023	**2022**
Office supplies and utilities	212,566	215,087
Marketing Expenses	10,388	30,601
Bank charges	2,075	1,886
Vacation Reserve	(88,300)	403,686
Representative expenses	11,120	26,242
Other expenses	158,832	68,910
Total	**306,680**	**746,413**

9. Significant accounting estimations and judgments

Assumptions and judgments are continually appreciated and are based on historical experience and other indicators, including the future events that are considered acceptable in those situations.

9.1. Significant accounting estimations

The Company realizes estimations and judgments regarding the future. These kinds of accounting estimations, as a rule, do not correspond to real results.

Useful life of non-current assets

The Company has revised the useful life of the PPE in accordance with the Group's policy. From November 01, 2023, the revision was carried out as follows:
Property and equipment with a useful life of more than one year is recognized as a PPE if the initial cost exceeds the equivalent GEL of USD 410.01:

The useful lives of PPE should not exceed the following:

For computer equipment:

In case of an initial cost over 3000 USD – 5 years
In case of an initial cost of less than 3000 USD – 3 years
Laptops - 3 years

Furniture and fixtures:

In case of an initial cost over 2000 USD - 7 years
In case of an initial cost of less than 2000 USD - 3 years

Office equipment:

In case of an initial cost over 2000 USD - 5 years
In case of an initial cost over 2000 USD - 3 years

Improvements on leased assets must be depreciated over the lesser of the estimated useful life of the improvement and the remaining lease term.

The Company management believes that the estimated useful life of assets does not essentially differ from the predicted economic periods. In case these estimations change, there will be a great difference in the financial statements of the Company.

10. Fair values

Management believes that the carrying amount of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximates their fair values.