Branch of foreign enterprise “Ge Investment Corp”

31 December 2023

International Financial Reporting Standards
Financial Statements and Independent Auditor’s Report

CONTENTS

Independent Auditors' Report

To the owners and the Management of Ge investment Corp.

Opinion

We have audited the financial statements of Branch of foreign enterprise "Ge Investment Corp" (the Branch), which comprise the statement of financial position as at December 31, 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

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

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

In preparing the financial statements, management is responsible for assessing the branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the branch or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with owners of the branch regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15 August, 2024

RSM Georgia

Engagement Partner: Giorgi Kvinikadze

STATEMENT OF FINANCIAL POSITION AS ON 31 DECEMBER 2023

Amounts expressed in **Notes** *Georgian Lari*		**31 December 2023**	**31 December 2022**	**1 January 2022**
ASSETS				
Non-current assets				
Property, plant and equipment	3	5,599,365	7,762,463	7,885,620
Right of use assets	9	-	601,565	662,680
Total non-current assets		**5,599,365**	**8,364,028**	**8,548,300**
Current assets				
Inventories	4	34,757	55,170	64,254
Trade and other receivables	5	71,745	17,409	17,409
Tax assets		140,113	20,739	-
Cash and cash equivalents	6	130,271	129,925	130,849
Total current assets		**376,886**	**223,243**	**212,512**
TOTAL ASSETS		**5,976,251**	**8,587,271**	**8,760,812**
HEAD OFFICE ACCOUNT AND RESERVES				
Head office account	10	4,920,491	8,564,692	8,564,692
Accumulated loss		(7,291,727)	(5,669,198)	(4,743,716)
TOTAL HEAD OFFICE ACCOUNT AND RESERVES		**(2,371,236)**	**2,895,494**	**3,820,976**
LIABILITIES				
Non-current liabilities				
Long-term borrowings	7	7,885,555	4,733,785	3,995,444
Lease Payable		-	742,024	751,131
Total non-current liabilities		**7,885,555**	**5,475,809**	**4,746,575**
Current liabilities				
Interest payable	7	279,502	88,319	20,305
Trade and other payables	8	182,430	127,649	60,806
Tax & Other State Payables		-	-	112,150
Total current liabilities		**461,932**	**215,968**	**193,261**
TOTAL LIABILITIES		**8,347,487**	**5,691,777**	**4,939,836**
TOTAL LIABILITIES, HEAD OFFICE ACCOUNT AND RESERVES		**5,976,251**	**8,587,271**	**8,760,812**

General Director Tornike Latatia

Financial Director Tamar Shekiladze

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

Georgian Lari	**Notes**	**2023**	**2022**
Revenue			
Sales revenue		53,000	-
Direct Expenses		(24,623)	-
Gross Income/(Loss)		**28,377**	**-**
General and administrative expenses	11	(494,952)	(427,014)
Depreciation expenses	3	(823,755)	(813,569)
Operating Profit/(Loss)		**(1,290,330)**	**(1,240,583)**
Interest expense	13	(721,218)	(154,512)
Other Income (expenses)	12	438,347	150,763
Gain/(loss) from exchange differences	14	(49,328)	318,850
Profit/(Loss) before income tax		**(1,622,529)**	**(925,482)**
Income tax expense		-	-
PROFIT/(LOSS) FOR THE YEAR		**(1,622,529)**	**(925,482)**
Other comprehensive Income		-	-
Total Other Comprehensive Income		**(1,622,529)**	**(925,482)**

General Director	Tornike Latatia
Financial Director	Tamar Shekiladze

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2023

Amounts expressed in Georgian Lari	Notes	Owners capital	Accumulated loss	Total Equity
Balance at 1 January 2022		**8,564,692**	**(4,522,969)**	**4,041,723**
Total comprehensive income for the year		-	(925,482)	**(925,482)**
Balance at 31 December 2022		**8,564,692**	**(5,669,198)**	**2,895,494**
Total comprehensive income for the year		-	(1,622,529)	(1,622,529)
Withdrawal from head office		(3,644,201)	-	**(3,644,201)**
Balance at 31 December 2023		**4,920,491**	**(7,291,727)**	**(2,371,236)**

General Director Tornike Latatia

Financial Director Tamar Shekiladze

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

Georgian Lari	Notes	2023	2022
Cash flows from operating activities			
Loss for the year		(1,622,529)	(925,482)
Adjustments for:			
Depreciation and amortization PPE	3	779,807	752,453
Depreciation and amortization Right of use assets			
Foreign exchange (gain)/loss, net	14	(60,368)	318,928
Lease interest expense		27,700	83,893
Interest expense	14	962,428	322,214
	3		
Operating cash flows before working capital changes		**87,038**	**552,006**
(Increase)/Decrease in inventories	4	20,413	9,084
(Increase)/Decrease in trade and other receivables	5	(54,336)	-
(Increase)/Decrease Right of use assets		601,565	61,115
(Increase)/Decrease in tax Assets		(119,374)	(20,739)
Increase/(Decrease) in Lease Payable	10	(742,024)	-
Increase/(Decrease) in trade and other payables	9	54,781	66,611
Increase/(Decrease) Tax Payable			(112,150)
Interest paid	8	(771,245)	(254,200)
Lease interest Paid		(27,700)	(93,000)
Net cash flows by operating activities		**(1,037,920)**	**(343,279)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(4,693,929)	(681,063)
Write off of PPE		-	51,776
Proceeds from disposal of PPE	3	6,077,220	-
Net cash used in investing activities		**1,383,291**	**(629,297)**
Cash flows from financing activities			
Net Increase/(Decrease) in borrowings	8	3,212,138	419,645
Increase/(Decrease) in Head office account	11	(3,644,201)	-
Net cash used in financing activities		**(432,063)**	**419,645**
non-cash effect changes		-	**-**
Effect of exchange rate changes on cash and cash equivalents		11,036	(79)
Net decrease in cash and cash equivalents		(10,690)	(845)
Cash and cash equivalents at the beginning of year		**129,925**	**130,849**
Cash and cash equivalents at the end of year		**130,271**	**129,925**

General Director Tornike Latatia

Financial Director Tamar Shekiladze

1. General Information

(a) The Branch and its Operations

Branch of foreign enterprise "Ge Investment Corp" with identification number 404947616 is a branch of foreign enterprise established on June 6, 2012. The activity of the branch is: mixed agriculture, in particular - Growing perennial crops. The legal address is: Georgia, st. Apartment 12, Al. Kazbegi Avenue, Vake-Saburtalo District, Tbilisi.

The Branch is 100% owned and controlled by “Ge Investment Corp”, which is registered in the USA and Guram Shalutashvili is the ultimate owner of "Ge investment Corp".

(b) Georgian business environment

Branch`s business activities are within Georgia. Consequently, the branch any is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The financial statements reflect management’s assessment of the impact of the Georgian business environment on the operations and the financial position of the branch.

2. Summaries of Significant Accounting Policies

Basis of Preparation

Statement of compliance. These separate financial statements represent the first annual financial statements of the branch prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by IASB and in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

First time adoption of IFRS. Under the Georgia legislation requirements of Saras , until the date of transition to IFRS, the branch was not required to prepare any separate financial statements. Therefore, a reconciliation of how the transition from previous accounting framework to IFRS has affected the branch’s financial position, financial performance and cash flows is not presented in these separate financial statements. Before the transition to IFRS, the branch has kept the records applying the policies which to certain extent were based on the IFRS for SMEs Accounting Standard. IFRS 1 requires presenting a statement of financial position at the transition date to IFRS and includes certain mandatory exceptions and optional exemptions from retrospective application of IFRS. In preparing these separate financial statements, the branch has applied the mandatory exceptions.

Basis of evaluation

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g., certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the branch uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the branch (working closely with external qualified value) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer’s specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Functional and Presentation Currency

The national currency of Georgia is the Georgian Lari (GEL), which is the branch’s functional currency. Financial statements and all financial information are presented in GEL, except when otherwise indicated.

2.1. Accounting Policies

(c) Property, Plant and Equipment

i.Recognition and Measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment losses.
Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

ii.Subsequent Expenditure

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the branch, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii.Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the

shorter of the lease term and their useful lives unless it is reasonably certain that the branch will obtain ownership by the end of the lease term. Land is not depreciated.
Any gain or loss on disposal of an item of intangible assets is determined by comparing the proceeds from disposal with the carrying amount of intangible assets, and is recognised net within other income/other expenses in profit or loss.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

Group of PPE	Useful life
Bearer Plants (Almond)	35 Years
Buildings	10-15 years
Machinery and equipment	2-10 years
Vehicles, computers, furniture and other	3-10 years
Land improvements	5 years
Land and construction in progress	Not depreciated

The useful life of almonds is 35 years and are considered immature till the age of 7 years after planting, Immature plantations are not depreciated. Since the branch bought 3 year-old almonds in 2020 almonds are immature plantations and are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Biological Assets and Agricultural Products

Biological assets of the branch consist of bearer plants – fruit trees. Bearer plants are classified as non-current assets.

A bearer plant is defined as a living plant used for the production of agricultural products and expected to bear fruit for more than one period. Plants are recorded as fixed assets. Trees are expected to produce agricultural product three years after planting, but reach maximum yield seven years after planting. After than, expenses are not capitalized unless they improve future economic benefits. Depreciation on Almond trees is calculated using the straight-line method over an estimated useful life of 35 years.
The branch's agricultural products mainly consist of almonds. At harvest, agricultural products are recorded in inventories and initially valued at their fair value, less estimated point-of-sale costs at the time of harvest. Due to the seasonal nature of these trees, the branch doen not have unharvested almond at the end of the reporting period
Point-of-sale costs include all costs that would be necessary to sell the assets. All the gross gains or losses arising from initial recognition of biological assets and from changes in the fair value-less-cost-to-sell of biological assets are included as a separate line "gain/(loss) on revaluation of biological assets and agricultural produce" above the gross profit line.
Plantations cost comprise of the cost of planting and development of Almond plantation. Costs of new planting and development of plantation crops are capitalized from the stage of land clearing up to the stage of maturity. The costs of immature plantations consist mainly of the accumulated cost of land clearing, planting, fertilizing and maintaining the plantation and other indirect overhead costs up to the time the trees are harvestable and to the extent appropriate.

(d) Financial Instruments

Financial assets and liabilities

Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs premiums or discounts and fees and points paid or received that are integral to the effective interest rate such as origination fees. For purchased or originated credit-impaired (POCI) financial assets- assets that are credit-impaired at initial recognition - the branch calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.
When the branch revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

Financial assets that are not ‘POCI' but have subsequently become credit-impaired (or 'stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the branch commits to purchase or sell the asset.

At initial recognition, the branch measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair the financial asset or financial liability value through profit or loss are expensed in profit or loss.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, as described in note 2.1, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets the difference is recognized as a gain or loss
b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets

Classification and subsequent measurement

From 1 January 2020, the branch has applied IFRS 9 and classifies its financial assets in the following measurement categories:
Fair value through profit or loss (FVPL),
Fair value through other comprehensive income (FVOCI), or
Amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.
Classification and subsequent measurement of debt instruments depend on:

- the branch's business model for managing the asset, and
- the cash flow characteristics of the asset.

Based on these factors, the branch classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL. are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.1.2 Interest income from these financial assets is included in ‘’Interest and similar income’’ using the effective interest rate method.
Fair value through other comprehensive income (FVOCl): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI), Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income’. Interest income from these financial assets is included in 'Interest income using the effective interest rate method.

Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within Net trading income in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income. Interest income from these financial assets is included in "Interest income using the effective interest rate method.

Business model: the business model reflects how the branch manages the assets in order to generate cash flows. That is, whether the branch's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVPL Factors considered by the branch in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the branch assesses whether the financial instruments cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the branch considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The branch reclassifies debt investments when and only when its business model for assets changes The reclassification takes place from the start of the first reporting peniod following the change Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Impairment

The branch assesses on a forward-looking basis the expected credit losses (ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The branch recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
The time value of money, and
Reasonable and supportable information that is available without undue cost or effort at the reporting. date about past events, current conditions and forecasts of future economic conditions.

In addition, for trade receivables that are assessed not to be impaired individually, the branch assesses them collectively for impairment, based on the branch's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days or it is made prepayments.

Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the branch transfers substantially all the risks and rewards of ownership, or (ii) the branch neither transfers nor retains substantially all the risks and rewards of ownership and the branch has not retained control.

Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:
Financial liabilities at fair value through profit or loss this classification is applied to derivatives financial liabilities held for trading (e.g. short positions in the trading booking) and other financial labilities designated

as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in fair value of the liability). This is unless suck a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
Financial liabilities arising from the transfer of financial assets which did not quality for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the branch recognises any expense incurred on the financial liability, and financial guarantee contracts and loan commitments.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).
The exchange between the branch and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 % different from the discounted present value of the remaining cash flows of the original financial lability. In addition, other qualitative factors, such as the currency that the instrument is denominated in changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(e) Cash and Cash Equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Right-of-use assets

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable. Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset.

(g) Translation of Foreign Currencies

The functional currency of the branch is Georgian Lari (“GEL”). Transactions in foreign currencies are initially recorded in the functional currency using the official exchange rates of the National Bank of Georgia at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement are recognized in profit or loss.

The applicable exchange rates used were:

	Official currency rate of the National Bank of Georgia	
	USD	**EUR**
Exchange rate as at 31 December 2023	2.6894	2.9753
Exchange rate as at 31 December 2022	2.7020	2.8844

(h) Head office account

The head office account is classified as equity. In the head office account will be recognized transfer cash equivalents to the head office and transfer cash equivalents from the head office.

(i) Dividend distribution

Dividends are recognised as liabilities when they are declared (ie the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders’ Annual General Meeting. Interim dividends are recognised when paid.

(j) Income Tax

In accordance with the effective Georgian Tax Code, corporate income tax is not levied on profit earned but on the profit distributed as dividends (other than is described in Georgian tax code article -98(1); 309; 99; 103). The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of the distribution.
Because of the specific nature of the taxation system, companies registered in Georgia do not acquire deferred tax assets or incur deferred tax liabilities on temporary differences between the carrying amounts and tax bases of their assets and liabilities.
Contingent income tax liability that is generated through profit distribution will not be recognised in statement of financial position.

(k) Prepayments.

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the branch has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the branch. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

(l) Inventory

Inventories are recorded at the lower of cost and net realizable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Inventory is recorded using weighted average method and includes costs related to purchase and placement in working condition of the assets.

(m) Revenue

Revenue is recognized on accrual basis.

Revenue from rendering services is recognized when the amount of revenue can be measured reliably; it is probable that future economic benefits will flow to the entity; the stage of completion of the transaction at the end of the reporting period can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and value added tax collected on behalf of the government of Georgia. For each contract the branch takes the following steps: Identifies the contract existence, identifies the performance obligations, determines the transaction price, allocates the transaction price to each performance obligation and recognizes the revenue only when the all performance obligation is fulfilled in a manner of transferring all promised good or service. At the point of harvest, the branch recognizes inventory and other revenue.

(n) Expenditures

Expenditures are recognized when the amount of expenses can be measured reliably; it is probable that future economic benefits will outflow from the entity; the stage of completion of the transaction at the end of the reporting period can be measured reliably.

Payroll expenses and related contributions. Wages, salaries, paid annual leave and sick leave, bonuses, and other benefits are accrued in the period in which the associated services are rendered by the employees of the branch. The branch does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees.

(o) Interest Income

Interest income is recognized on an accrual basis using the effective interest rate.

2.2 New standards, interpretations and amendments

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. The Company has not yet evaluated the impact of these new or amended accounting standards and interpretations.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

IAS 1 submission of financial statements-classification of current and long-term liabilities: this change was issued in January 2020, valid for periods on or after January 1, 2023.

Corrections:

- Creates a new section for the current and long-term classification of the obligations. Settlement refers to the transfer to a counterparty, which leads to the repayment of an obligation, which can be in cash, other economic resources or the unit's own equity instruments;

- Explains that the classification of the obligation is not influenced by the probability that the entity will exercise the right to pay the obligation at least 12 months from the reporting period and instead focuses on the rights to delay payment, which are substantial and exist at the end of the reporting period

- Explains that if the right to delay the settlement is subject to an entity that meets the specified conditions (i.e. agreements), the right exists only if the entity meets these conditions at the end of the reporting period.

IFRS 17 insurance contracts: IFRS 17 - insurance contracts replace IFRS 4-insurance contracts valid from January 2023 or later. The purpose of the standard is to establish principles under IFRS 17.1 regarding the recognition, evaluation, presentation and disclosure of insurance contracts that fall under IFRS 17.

3. Property, Plant and Equipment

	Lands	Construction in progress	Bearer Plants	Land improvement	Buildings	Machinery and equipment	Office Equipment	Vehicle	Total
1 January 2022	**51,700**	**1,518,929**	**3,391,228**	**2,812,091**	**139,512**	**705,472**	**25,995**	**542,970**	**9,187,897**
Additions	-	93,240	335,921	17,737	-	3,772	585	-	**451,255**
Capitalization	-	-	-	-	229,808	-	-	-	**229,808**
Write off	-	-	-	-	-	-	-	(51,767)	**(51,767)**
At 31 December 2022	**51,700**	**1,612,169**	**3,727,149**	**2,829,828**	**369,320**	**709,244**	**26,580**	**491,203**	**9,817,193**
Additions	1,150	967,702	-	-	2,510,211	911,315	57,439	-	**4,447,817**
Capitalization	-	-	-	246,111.00	-	-	-	-	**246,111**
Internal Movements	-	-	(82,948)	82,948	-	-	-	-	**-**
Sold	-	-	(3,644,201)		-	-	-	-	**(3,644,201)**
Write off	-	(2,433,018)	-	-	-	-	-	-	**(2,433,018)**
At 31 December 2023	**52,850**	**146,853**	**-**	**3,158,887**	**2,879,531**	**1,620,559**	**84,019**	**491,203**	**8,433,902**
Accumulated depreciation									
1 January 2022	**-**	**-**	**-**	**(938,287)**	**(16,687)**	**(175,200)**	**(5,602)**	**(166,501)**	**(1,302,277)**
Depreciation charge	-	-	-	(455,043)	(118,236)	(106,057)	(5,130)	(67,987)	**(752,453)**
Eliminated on disposal	-	-	-	-	-	-	-	-	-
At 31 December 2022	**-**	**-**	**-**	**(1,393,330)**	**(134,923)**	**(281,257)**	**(10,732)**	**(234,488)**	**(2,054,730)**
Depreciation charge	-	-	-	(456,044)	(119,719)	(133,299)	(6,578)	(64,167)	**(779,807)**
At 31 December 2023	**-**	**-**	**-**	**(1,849,374)**	**(254,642)**	**(414,556)**	**(17,310)**	**(298,655)**	**(2,834,537)**
Carrying amount									
1 January 2022	**51,700**	**1,518,929**	**3,391,228**	**1,873,804**	**122,825**	**530,272**	**20,393**	**376,469**	**7,885,620**
At 31 December 2022	**51,700**	**1,612,169**	**3,727,149**	**1,436,498**	**234,397**	**427,987**	**15,848**	**256,715**	**7,762,463**
At 31 December 2023	**52,850**	**146,853**	**-**	**1,309,513**	**2,624,889**	**1,206,003**	**66,709**	**192,548**	**5,599,365**

The land was transferred to the branch from the National State Property Agency on January 21, 2020 for a symbolic 1 GEL, on the condition that it would build a walnut processing factory on it and start production within no more than 2 years after signing the contract. On March 14, 2023, the contract was changed, according to which the branch should start production no later than January 3, 2024.

Bear Plants

Particulars	Purchase price	Capitalization	Write off	Total
Wine	295,065	-	(295,065)	-
Almond	3,432,084	-	(3,432,084)	-
Total	**3,727,149**	**-**	**(3,727,151)**	**-**

4. Inventory

	31-Dec-23	31-Dec-22	31-Dec-21
Raw Materials	25,849	50,224	60,111
Other Inventory	8,908	4,946	4,143
Total Inventory	**34,757**	**55,170**	**64,254**

5. Trade and other receivables

	31-Dec-22	31-Dec-22	31-Dec-21
Trade receivables	9,540	-	-
Receivable from employees	44,796	-	-
Advances paid	17,409	17,409	17,409
Total Trade and other receivables	**71,745**	**17,409**	**17,409**

There is no material difference between the fair value of trade and other receivable and their carrying amount.

Effect of exchange rate changes on trade and other receivables see in note N 14.

6. Cash and Cash equivalents

	31-Dec-23	31-Dec-22	31-Dec-21
National currency in the resident bank	130,147	129,925	130,849
Foreign currency in the resident bank	124	-	-
Total Cash and Cash Equivalents	**130,271**	**129,925**	**130,849**

There is no material difference between the fair value of cash and cash equivalents and their carrying amount.

Effect of exchange rate changes on cash and cash equivalents see in note N 14.

7. Borrowings

	31-Dec-23	31-Dec-22	31-Dec-21
Long-term borrowings	7,885,555	4,733,785	3,995,444
Borrowing Interest	279,502	88,319	20,305
Total borrowings at 31 December	**8,165,057**	**4,822,104**	**4,015,749**

All property of the branch is pledged for the borrowings as collateral.

Long-term borrowings as of December 2023 consist of the following components:

	Staring Date	Maturity Date	Interest Rate	Principle repayment	Interest Payment	Currency	Amount
nuts incorporated	1/12/2022	12/31/2025	13.2%	before 12/31/22	before 12/31/25	Gel	1,653,475
TBC bank 1	6/12/2023	6/12/2033	9%	starts from 2025	monthly	EUR	2,227,709
TBC bank 2	6/12/2023	6/12/2033	14.5%	Starts from 2025	monthly	Gel	2,600,000
TBC bank 3	6/12/2023	6/12/2033	14.5%	starts from 2025	monthly	Gel	1,404,371
Principal payable							7,885,555
Interest payable							279,502
Total long-term borrowing							**8,165,057**

Movement of Borrowings for the year 2023 is presented in table below:

Opening Balance Principal	**4,733,785**
Taking new loans	7,524,183
Paid loans	4,431,503
FX effect	-59,090
Ending Balance Principal	**7,885,555**

Opening Balance interest	**88,319**
Accrued interest	962,428
Interest paid	771,245
Ending Balance Interest	**279,502**

Long-term borrowings as of December 2022 consist of the following components:

	Staring Date	Maturity Date	Interest Rate	Principle repayment	Interest Payment	Currency	Amount
Bank of Georgia 1	11/11/2021	20/12/2025	6 Month Libor + 7.35% , but not less than 7.5%	Monthly; payment starts from 2023Y	Monthly; payment	USD	2,176,746
Bank of Georgia 2	20/07/2021	21/12/2026	Market rate +4,5%	Monthly; payment starts from 2023Y	Monthly ;payment	GEL	1,500,000

nuts incorporated	1/12/2022	12/31/2025	13.20%	before 12/31/22	before 12/31/25	Gel	1,057,039
Principal payable							4,733,785
Interest payable							88,319
Total long-term borrowing							**4,822,104**

Movement of Borrowings for the year 2022 is presented in table below:

Opening Balance Principal	**3,995,444**
Taking new loans	1,189,784
Paid loans	132,745
FX effect	318,698
Ending Balance Principal	4,733,785

Opening Balance interest	**20,305**
Accrued interest	322,214
Interest paid	254,200
Ending Balance Interest	88,319

Long-term borrowings as of December 2021 consist of the following components:

	Staring Date	Maturity Date	Interest Rate	Principle repayment	Interest Payment	Currency	Amount
Bank of Georgia 1	11/11/2021	20/12/2025	6 Month Libor + 7.35% , but not less than 7.5%	Monthly; payment starts from 2023Y	Monthly; payment	USD	2,495,443
Bank of Georgia 2	20/07/2021	21/12/2026	Market rate +4,5%	Monthly; payment starts from 2023Y	Monthly ;payment	GEL	1,500,000
Principal payable							3,995,444
Interest payable							20,305
Total long-term borrowing							**4,015,749**

Movement of Borrowings for the year 2021 is presented in table below:

Opening Balance Principal	**819,150**
Taking new loans	5,622,628
Paid loans	2,336,475
FX effect	109,859
Ending Balance Principal	**3,995,444**

Opening Balance interest	**24,198**
Accrued interest	220,748
Interest paid	224,641
Ending Balance Interest	**20,305**

In June 2014 the Ministry of Economy and Sustainable Development of Georgia, together with the Ministry of Agriculture, launched a new government program “Produce in Georgia.” The program’s objective is to promote an entrepreneurial culture throughout the country by stimulating the establishment of new enterprise and supporting the expansion of existing operations.

The branch has participated in this national program and on 20 July, 2021 took loans from JSC Bank of Georgia amounted to 1,500,000 GEL, outstanding Balance of which is 1,500,000 GEL as of 31 December, 2021. Interest rate was determined as market rate +4,5% and according to the agreement, part of the interest will be reimbursed by the Government. The branch pays full amount of interest and the agency`s part is reimbursed via direct bank transfer.

8. Trade and other payables

	31-Dec-23	31-Dec-22	31-Dec-21
Trade payable	137,704	94,181	49,190
Other Payable	44,726	33,468	11,616
Total Trade and other payables	**182,430**	**127,649**	**60,806**

Effect of exchange rate changes on trade and other payables see in note N 14.

9. Right of use assets and lease liabilities

Movement in right-of-use assets can be presented as follows:

	2023	2022
At 1 January	**601,565**	**662,680**
Additions	-	-
Amortization	(43,948)	(61,115)
Lease termination	(557,617)	-
At 31 December	**-**	**601,565**

Movement in lease liabilities can be presented as follows:

	31-Dec-23	31-Dec-22	31-Dec-21
As at 1 January	742,024	751,131	**759,275**
Additions	-	-	-
Accrued interest expenses	-	83,893	84,856
Payments	(11,050)	-93,000	-93,000
lease termination	-730,974	-	-
As at 31 December	**-**	**742,024**	**751,131**

10. Head office account

	Amount
Balance at 1 January 2022	**8,564,692**
Head office contribution	-
Conversion of Borrowings	-
Balance at 31 December 2022	**8,564,692**

Head office contribution	-
withdraw from head office contribution	(3,644,201)
Conversion of Borrowings	-
Balance at 31 December 2023	**4,920,491**

11. General and Administrative Expenses

	2023	**2022**
Payroll expenses	247,650	251,611
Utility Expenses	135,016	131,891
Pension expense	6,536	10,618
Other Expenses	53,779	19,262
Transportation Expenses	1,334	3,350
Accounting Services Expenses	9,637	1,581
Rent expenses	41,000	938
Representative Expenses	-	7,763
Total	**494,952**	**427,014**

12. Other income/(expenses)

	2023	**2022**
Gain from Lease termination	184,407	-
Received co-financing interest expenses	253,940	164,548
Non-operating revenue	-	(13,785)
Total	**438,347**	**150,763**

During 2023 The amount 253,940 GEL (2022: 164,548) represents the reimbursement of some portion of interest expense by Rural Development Agency.

13. Interest expenses

	2023	**2022**
Interest expense of borrowings	721,218	70,619
Interest expense of lease liability	-	83,893
Total	**-**	**83,893**

During a 2023 the interest expense amount was 967,329 GEL (2022: 300,427 GEL) which was fully capitalized.

14. FX gain/losses from exchange differences

	2023	**2021**
FX gain	**242,404**	**517,421**
Borrowing	231,352	517,096
Cash and Cash equivalent	11,045	-
Trade and other payables	7	325
FX loss	**(291,732)**	**(198,571)**
Borrowing	(291,720)	(198,399)
Cash and Cash equivalent	(9)	(79)
Trade and other payables	(3)	(93)
Net Gain/(Loss)	**(49,328)**	**318,850**

15. Income Tax

On 13 May 2016 the Parliament of Georgia approved significant changes in Georgian Tax code related to the bill on corporate income tax reform (also known as the Estonian Model of Corporate Taxation) which mainly moves the moment of taxation from the moment when taxable profit are earned to the moment when they are distributed. The law is effective from tax periods starting after 1 January 2017.

Because of the specific nature of the taxation system, companies registered in Georgia do not acquire deferred tax assets or incur deferred tax liabilities on temporary differences between the carrying amounts and tax bases of their assets and liabilities.

16. Contigencies and commitments

Taxation Contingencies.

The taxation system in Georgia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after three years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant

17. Fair values and risk management

(a) Fair values of financial assets and liabilities

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities. The branch has determined the fair values of financial assets and liabilities using valuation techniques. The objective of the valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair values of the branch’s financial assets and liabilities, approximate their carrying amounts.

(b) Financial risk management

In performing its operating, investing and financing activities, the branch is exposed to the following financial risks:

- Credit risk: the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the branch.
- Liquidity risk: the risk that the branch may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.

- Market risk: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the branch is exposed to three market risk components:
  - Interest rate risk
  - Currency risk
  -

The following table summarises the carrying amount of financial assets and financial liabilities recorded by category:

Financial assets	31-Dec-23	31-Dec-22	31-Dec-21
Cash and cash equivalent	130,271	129,925	130,849
Accounts receivable	54,336	-	-
Total financial assets	**184,607**	**129,925**	**130,849**
Financial liabilities			
Trade and other payables	738,325	127,649	60,806
Borrowing	8,165,057	4,822,104	4,015,749
Lease Payable	-	742,024	751,131
Total financial liabilities	**8,903,382**	**5,691,777**	**4,827,686**

i.Risk management framework

The Management is responsible for establishing and overseeing the branch's risk management framework.

The branch's risk management policies are established to identify and analyse the risks faced by the branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the branch's activities. Because of the simplicity of the branch's operational structure, there is no need for documented risk management policy.

Financial assets	31-Dec-23	31-Dec-22	31-Dec-21
Cash and cash equivalent	130,271	129,925	130,849
Accounts receivable	54,336	-	-
Total financial assets	**184,607**	**129,925**	**130,849**

i. Credit risk

The branch takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due.

The branch's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet.

Expected credit loss measurement

The branch uses a "three-stage" model for impairment based on changes in credit quality since initial recognition summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "stage 1" and has its credit risk continuously monitored by the branch.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to "stage 2" but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, it is then moved to "stage 3".
- Financial instrument in stage 1 have the ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within next 12 months. Instruments in stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis.

The following diagram summarizes the impairment approach of the branch:

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-moth expected credit loss	Lifetime expected credit losses	Lifetime expected credit losses

The branch’s all financial assets in this financial statements, other than trade receivables, are classified in stage 1 at the end of the 2021 year.

As for trade receivables the branch uses the simplified approach is based on days overdue. The branch has five overdue ranges: less than 30 days, 31-60 days, 61-90 days, 91-180 days and more than 180 days. ECL percentage is based on branch`s operating sector and previous experience. Expected credit loss table is presented below: At the end of the year the branch does not have trade receivables, so there is not created allowance for doubtful accounts.

Expected credit loss (ECL) is based on credit risk change after initial recognition.

Loss allowances will be measured on either of the following bases: a) 12-month ECLs - If the credit risk on a financial instrument has not increased significantly since initial recognition b) lifetime ECLs - If the credit risk on that financial instrument has increased significantly since initial recognition.

Considering the fact, that credit risk is not increased significantly after initial recognition, the branch used 12-month ECL for investment held-to-maturity.

Liquidity risk

Liquidity risk is the risk that the branch will encounter difficulty in meeting obligations arising from its financial obligations. It refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match.

The branch’s exposure to the liquidity risk as at 31 December 2023 is presented below:

	Less than 1 year	1 year to 5 year	Over 5 years	Total
Cash and cash equivalent	130,271	-	-	**130,271**
Accounts receivable	54,336	-	-	**54,336**
Total financial assets	**184,607**	**0**	**0**	**184,607**
Accounts payable	738,325	-	-	**738,325**
Borrowing	279,502	7,885,555	0	**8,165,057**
Total financial liabilities	**1,017,827**	**7,885,555**	**0**	**8,903,382**
Liquidity gap	**(833,220)**	**(7,885,555)**	**-**	**(8,718,775)**

The branch has not yet received its sales revenue fully. The branch actively invests to get the full yield of Bearer Plants. Therefore, a negative liquidity gap is normal for his business activities.

The branch purchased fixed assets with the received loans, therefore, the branch will receive income in the future period, when business activities will move into an active phase and the liquidity gap will be improved.

The branch’s exposure to the liquidity risk as at 31 December 2022 is presented below:

	Less than 1 year	1 year to 5 year	Over 5 years	Total
Cash and cash equivalent	129,925	-	-	**129,925**
Accounts receivable	-	-	-	**-**
Total financial assets	**129,925**	**0**	**0**	**129,925**
Accounts payable	127,649	-	-	**127,649**
Borrowing	88,319	4,733,785	0	**4,822,104**

Total financial liabilities	**215,968**	**4,733,785**	**0**	**4,949,753**
Liquidity gap	**(86,043)**	**(4,733,785)**	**-**	**(4,819,828)**

The branch has liquidity gap with amount of GEL (4,057,856) in 2021 year. According to management estimation this gap is not unusual for business.

ii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the branch’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The branch’s exposure to the risk of changes in foreign exchange rates relates primarily to the financial liabilities denominated in USD.

Exposure to currency risk

In respect of currency risk, management sets limits on the level of exposure by currency and in total.The branch’s exposure to foreign currency risk was as follows:

31 December 2023

	Currency	**Trade and other Receivable**	**Trade and other Payables**	**Borrowings**	**Total**
At 31 December 2023	USD	-	-	-	**-**
At 31 December 2023	EUR	-	-	2,244,715	**2,244,715**
At 31 December 2022	USD	-	-	-	**-**
At 31 December 2022	EUR	-	-	2,244,715	**437,856**

Sensitivity analysis

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	31 December 2023
	Impact on profit or loss
USD strengthening by 10%	-
USD weakening by 10%	-
Euro strengthening by 10%	(224,472)
Euro weakening by 10%	224,472

	31 December 2022
	Impact on profit or loss
USD strengthening by 10%	-
USD weakening by 10%	-
Euro strengthening by 10%	(224,472)
Euro weakening by 10%	224,472

iii. Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the branch’s exposure should be to fixed or variable rates. The branch takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Fair Value of Financial Instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Fair value hierarchy

Management believes that the fair values of the branch’s financial assets and liabilities, approximate their carrying amounts.

The following tables detail the branch's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
2023				
Assets				
Cash and cash equivalents	130,271	-	-	130,271
Trade receivables	-	-	-	-
Total assets	**130,271**	**-**	**-**	**130,271**
Liabilities				
Borrowings	-	8,165,057	-	8,165,057
Lease Payable	-	-	-	-
Trade payables	-	-	738,325	738,325
Total liabilities	**-**	**8,165,057**	**738,325**	**8,903,382**

	Level 1	Level 2	Level 3	Total
2022				
Assets				
Cash and cash equivalents	129,925	-	-	129,925
Trade receivables	-	-	-	-
Total assets	**129,925**	**-**	**-**	**129,925**
Liabilities				
Borrowings	-	4,822,104	-	4,822,104
Lease Payable	-	-	742,024	742,024
Trade payables	-	-	127,649	127,649
Total liabilities	**-**	**4,822,104**	**869,673**	**5,691,777**

18. Related party transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The outstanding balances with related parties were as follows:

Balances:	**31-Dec 2023**	**31-Dec 2022**
Payable	-	-
Receivable	49,540	-
Borrowings	1,653,475	1,404,032
Interest Payable	279,502	88,319

The following table illustrates key management compensation during the period concerned:

KEY MANAGEMENT COMPENSATION	**2023**	**2022**
Wages, salaries and short-term benefits	96,707	80,313

19. Events after the end of the reporting period