

LLC ANAGI

Separate Financial Statements, Management Report
and Independent Auditor's Report
For Year Ended 31 December 2023

LLC ANAGI

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Management is responsible for the preparation of the separate financial statements that present fairly the financial position of Anagi LLC (the "Company") as at 31 December 2023 and the results of its separate operations, separate changes in equity and separate cash flows for the year ended 31 December 2023, in compliance with International Financial Reporting Standards ("IFRS"). Management is also responsible for the preparation of management report in accordance with the Law of Georgia on Accounting, Reporting and Auditing.

In preparing the separate financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, their events and conditions on the Company's separate financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.
- Disclosing the information in the management report as required by the Law of Georgia on Accounting, Reporting and Auditing;
- Preparation of the management report in consistent with the financial statements.

Management is also responsible for the following:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the separate financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with Georgian legislation and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

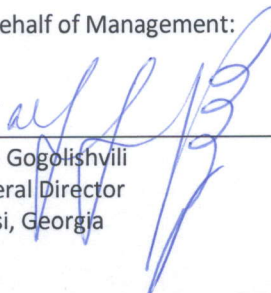
Management is responsible for the preparation of the separate Management Report in accordance with the requirements of Law of Georgia on Accounting, Reporting and Auditing and for such internal control as management determines is necessary to enable the preparation of the separate Management Report that is free from material misstatement, whether due to fraud or error.

Management is responsible for the following:


- The Management Report for the year ended 31 December 2023 is prepared in accordance with the requirements of Law of Georgia on Accounting, Reporting and Auditing;
- The Management Report for the year ended 31 December 2023 includes the information required by the Law of Georgia on Accounting, Reporting and Auditing; and
- The information provided in the Management Report is consistent, in all material respects, with the audited separate financial statements for the year ended 31 December 2023.

Separate financial statements of the Company and Management Report for the year ended 31 December 2023 were approved by management on 2 August 2024.

On behalf of Management:



Irakli Gogolishvili
General Director
Tbilisi, Georgia



Giorgi Chitashvili
Financial Director
Tbilisi, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Owner and Management of LLC Anagi

Opinion

We have audited the separate financial statements of LLC Anagi (hereinafter the "Company"), which comprise the separate statement of financial position as at 31 December 2023, the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year ended 31 December 2023, and notes to the separate financial statements, including a summary of accounting policies.

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

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 separate financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw your attention to Note 3 to the separate financial statements, which describes that the Company also prepares the consolidated financial statements of LLC Anagi and its subsidiaries (hereinafter referred as the "Group"). The separate financial statements should be read in conjunction with the consolidated financial statements, which were approved by management and authorized for issue on 2 August 2024. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management Report prepared in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards (“IFRS”), and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 Company’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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Management is responsible for the preparation of the management report in accordance with the Law of Georgia on Accounting, Reporting and Auditing ("the Law"), and for such internal control as management determines is necessary to enable the preparation of the management report that is free from material misstatement, whether due to fraud or error.

We performed procedures with respect to whether the management report is prepared in accordance with the requirements of the Law and includes the information required by the Law.

We have selected and performed procedures based on our judgment, including but not limited to inquiries, analysis and review of documentation, comparison of the Company's policies, procedures, methodologies and reported information with the requirements of the Law, as well as recalculations, comparisons and reconciliations of numeric values and other information.

In our opinion:

- The separate management report for the year ended 31 December 2023 is prepared in accordance with the requirements of Law of Georgia on Accounting, Reporting and Auditing;
- The separate management report for the year ended 31 December 2023 includes the information required by the Law of Georgia on Accounting, Reporting and Auditing;
- The information provided in the management report is consistent, in all material respects, with the separate financial statements for the year ended 31 December 2023.



Shota Nanitashvili
on behalf of Deloitte and Touche LLC

Deloitte & Touche

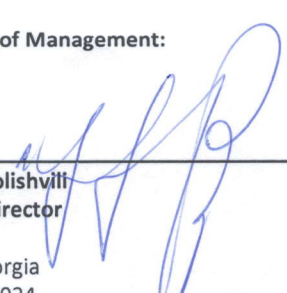
2 August 2024
Tbilisi, Georgia

LLC ANAGI

**SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(In thousands of Georgian Lari)**

	Notes	2023	2022
Revenue	5	405,473	348,575
Cost of sales	6	(365,920)	(315,976)
Gross profit		39,553	32,599
General and administrative expenses	7	(18,197)	(19,717)
Dividend income		2,431	1,729
Impairment of financial assets, net	10, 13, 16	(4,796)	(5,362)
Finance income		5,253	3,525
Finance cost		(7,672)	(9,518)
Income from amortization of deferred day 1 gain		2,523	1,917
Changes in fair value of the investments carried at FVTPL		1,850	(2,799)
Foreign exchange loss, net		(2,451)	(11,665)
Other income		4,045	1,856
Other expenses		(3,303)	(1,843)
Profit/(Loss) before income tax		19,236	(9,278)
Income tax expense		(583)	(2,457)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		18,653	(11,735)

On behalf of Management:



Irakli Gogolishvili
General Director

Tbilisi, Georgia
2 August 2024



Giorgi Chitashvili
Financial Director

Tbilisi, Georgia
2 August 2024

The notes on pages 9-43 form an integral part of these separate financial statements.

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SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (In thousands of Georgian Lari)

	Notes	31 December 2023	31 December 2022
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	20,077	15,572
Intangible assets		164	155
Investment property	9	2,291	2,388
Construction contract assets	10	9,153	11,572
Investment in subsidiaries	11	9,146	5,504
Investment in associates	12	11,298	4,158
Prepayments	17	562	2,512
Trade and other receivables	16	10,547	9,041
Investments in financial assets carried at FVTPL	14	4,444	10,201
Loans issued	13	7,466	13,454
Total non-current assets		75,148	74,557
CURRENT ASSETS:			
Inventories	15	78,360	37,611
Investments in financial assets carried at FVTPL	14	11,459	3,054
Loans issued	13	18,056	7,787
Construction contract assets	10	161,123	131,938
Trade and other receivables	16	20,125	17,915
Prepayments	17	48,775	45,408
Restricted Cash	18	30,522	12,644
Cash and cash equivalents	18	37,323	11,292
Total current assets		405,743	267,649
TOTAL ASSETS		480,891	342,206
OWNERS' EQUITY AND LIABILITIES			
OWNER'S EQUITY:			
Charter capital		5	5
Retained earnings		99,109	86,163
TOTAL OWNERS' EQUITY		99,114	86,168
LIABILITIES			
NON-CURRENT LIABILITIES:			
Advances received	19	49,682	36,051
Provisions for possible defects		1,063	848
Trade and other payable	20	3,975	5,664
Total non-current liabilities		54,720	42,563
CURRENT LIABILITIES:			
Trade and other payables	20	65,964	36,739
Advances received	19	232,937	106,892
Borrowings	21	13,037	62,336
Deferred 'day one' gains	14	1,329	3,054
Taxes payable other than income tax		13,790	4,454
Total current liabilities		327,057	213,475
TOTAL LIABILITIES		381,777	256,038
TOTAL OWNERS' EQUITY AND LIABILITIES		480,891	342,206

On behalf of Management:

Irakli Gogolishvili
General Director

Tbilisi, Georgia
2 August 2024

Giorgi Chitashvili
Financial Director

Tbilisi, Georgia
2 August 2024

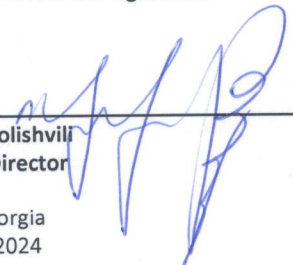
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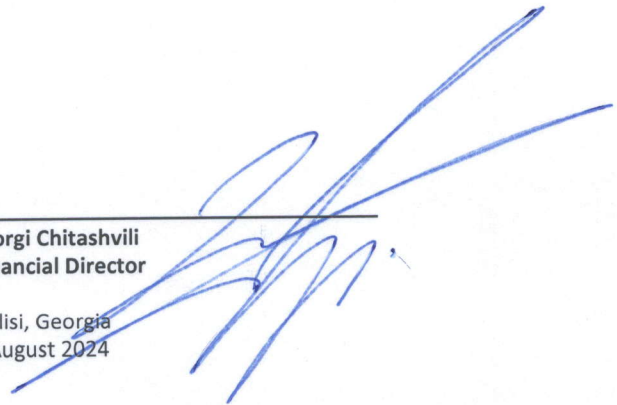
**SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(In thousands of Georgian Lari)**

	<u>Charter capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2022	<u>5</u>	<u>111,820</u>	<u>111,825</u>
Total comprehensive loss for the year	-	(11,735)	(11,735)
Dividends declared	-	(13,922)	(13,922)
Balance at 31 December 2022	<u>5</u>	<u>86,163</u>	<u>86,168</u>
Total comprehensive income for the year	-	18,653	18,653
Dividends declared	-	(5,707)	(5,707)
Balance at 31 December 2023	<u>5</u>	<u>99,109</u>	<u>99,114</u>

On behalf of the Management:



Irakli Gogolishvili
General Director
Tbilisi, Georgia
2 August 2024



Giorgi Chitashvili
Financial Director
Tbilisi, Georgia
2 August 2024

The notes on pages 9-43 form an integral part of these separate financial statements.

LLC ANAGI

**SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In thousands of Georgian Lari)**

	Notes	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers under construction contracts		601,736	435,045
Receipts from other customers		4,195	2,960
Payments to suppliers		(365,375)	(314,502)
Payments to employees		(73,396)	(51,929)
Payments for other operating expenses		(626)	(525)
Cash generated from operations		166,534	71,049
Interest paid		(12,453)	(10,799)
Income tax paid		(1,077)	(2,799)
Taxes paid other than on income tax		(48,594)	(34,312)
Net cash generated from operating activities		104,410	23,139
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(10,796)	(5,247)
Proceeds from disposal of property, plant and equipment and investment property		440	1,581
Proceeds from investments in financial assets carried at FVTPL		1,638	300
Purchase of investments in financial assets carried at FVTPL		(1,638)	(1,815)
Receipts from loans issued		1,659	36,445
Issuance of loans		(8,640)	(33,818)
Placement of the term deposits		-	(7,539)
Receipt of the term deposits		-	12,127
Cash received from the settlements of the bond		-	676
Placement of restricted cash	18	(68,134)	(12,644)
Withdrawal of restricted cash	18	50,255	-
Interest received		3,150	2,509
Purchase of investments in associates		(1)	(100)
Dividends received from associates		2,331	1,729
Dividends received from subsidiaries		77	281
Net cash used in investing activities		(29,659)	(5,515)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	21	413,197	385,452
Repayment of borrowings	21	(460,288)	(382,524)
Dividends paid	22	(1,183)	(13,226)
Net cash used in financing activities		(48,274)	(10,298)
NET INCREASE IN CASH AND CASH EQUIVALENTS		26,477	7,326
Effect of exchange rate changes on the balance of cash held in foreign currencies		(446)	(681)
CASH AND CASH EQUIVALENTS, at beginning of the period	18	11,292	4,647
CASH AND CASH EQUIVALENTS, at end of the period	18	37,323	11,292

On behalf of Management:

Irakli Gogolishvili
General Director

Tbilisi, Georgia
2 August 2024

Giorgi Chitashvili
Financial Director

Tbilisi, Georgia
2 August 2024

The notes on pages 9-43 form an integral part of these separate financial statements.

LLC ANAGI

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

1. GENERAL INFORMATION

LLC Anagi (the “Company”) was incorporated on 13 November 1989 in Georgia. The principal activity of the Company is construction. The Company offers a full or partial package of project-construction works including:

- Construction of residential, hotel, public, manufacturing and civil buildings or set of buildings;
- Management of construction projects and project activities;
- Design, decoration, finishing and MEP (Mechanical, electrical, and plumbing) works;
- Production of construction designs and products, including: manufacturing of monolithic concrete, metal, carpentry, metal-plastic, aluminium, partition and small wall blocks.
- Advisory services regarding the organization, technology, legal procedures, and other directions of the field.

The Company is a parent of the entities incorporated in Georgia (together referred to as the “Group”), whose primary business activities include concrete production, construction of school, renting construction equipment and real estate development.

As at 31 December 2023 and 2022, the sole shareholder of Anagi LLC was Mrs. Nana Aroshidze, while the Company was effectively controlled by Mr. Zaza Gogotishvili.

LLC Anagi owned the following principal subsidiaries as at 31 December 2023 and 2022:

Subsidiary	31 December 2023 Ownership/ voting %	31 December 2022 Ownership/ voting %	Industry
LLC Anagi Betoni	65.0%	65.0 %	Concrete production
LLC Anagi Mechanization	60.0%	60.0 %	Renting Construction Equipment
LLC Anagi Batumi	100.0 %	100.0 %	Real Estate Development
LLC Anagi Education	100.0 %	100.0 %	Construction of school
LLC Anagi Hotel Development	100.0 %	100.0 %	Real Estate Development

Non-controlling interests in Anagi Betoni LLC were owned by Mr. Zaza Gogotishvili with 35% as at 31 December 2023 and 2022.

Non-controlling interests in Anagi Mechanization LLC were owned by Mr Ibrahim Shalikadze, David Shalikadze and Irakli Gogolishvili with 25%, 10% and 5% ownership, respectively, as at 31 December 2023 and 2022.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *(In thousands of Georgian Lari)*

LLC Anagi owned the following associates as at 31 December 2023 and 2022:

Associate	31 December 2023 Ownership/ voting %	31 December 2022 Ownership/ voting %	Industry
JSC Supsa Energy	50 %	50 %	Energy
LLC GTC Rent	50 %	50 %	Renting Construction Equipment
LLC GTC Trading	50 %	50 %	Renting Construction Equipment
LLC Green Cape - Botanico	49 %	49 %	Real Estate Development
LLC Capital Company 1	50 %	50 %	Renting commercial spaces
LLC Deka Construction	50 %	50 %	Construction
LLC Deka Development	50 %	50 %	Real Estate Development
LLC Deka Didi Dighomi	50 %	50 %	Real Estate Development
LLC Deka Verona	50 %	50 %	Real Estate Development
LLC Deka Lisi	50%	-	Real Estate Development
LLC Anagi Development 2	50 %	50 %	Real Estate Development
LLC H 1	50 %	50 %	Real Estate Development
LLC H 2	50 %	50 %	Real Estate Development
LLC Georgian-American Academy Progress	45%	45%	Education
LLC Ibis Styles Batumi	50%	50%	Real Estate Development
LLC Batumi Beach Resorts	50%	50%	Real Estate Development
LLC GR Development	50%	-	Real Estate Development
LLC International Logistic Company	50%	-	Real Estate Development
LLC Warehouse Wolt	50%	-	Real Estate Development
LLC Capital Company 3	50%	-	Real Estate Development

The Company's principal and registered address is at #37-39 Kostava Avenue, Tbilisi, Georgia.

As at 31 December 2023 and 2022, the Company employed 2,480 and 1,584 employees, respectively.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, Anagi LLC has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

LLC ANAGI

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(In thousands of Georgian Lari)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies	Anagi LLC has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	Anagi LLC has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, Anagi LLC has not applied any of the new and revised IFRS Standards that have been issued but are not yet effective:

Amendment to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The management of Anagi LLC does not anticipate that the application of the Standards in the future will have a material impact on the separate financial statements.

3. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of preparation – These separate financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

Management has, at the time of approving these separate financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the separate financial statements.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In thousands of Georgian Lari)**

The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries ("the Group"). In the consolidated financial statements, subsidiaries have been fully consolidated on the same basis as presented in this note, a copy of which can be found at the Company's office at #37-39 Kostava Avenue, Tbilisi, Georgia.

In addition to issuing consolidated financial statements, the Company has elected, as permitted under IAS 27 *Consolidated and Separate Financial Statements* and local law, to present separate financial statements. These separate financial statements are presented for the purpose of assessing the Company's separate financial position and the financial results and as a result do not include the consolidation of the Company's subsidiaries and associates. Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2023 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. The consolidated financial statements were authorized for issue on 2 August 2024.

The separate financial statements have been prepared under the historical cost basis. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these preliminary separate financial statements is determined on such a basis.

The principal accounting policies are set out below.

Functional and presentation currency - The national currency of Georgia is the Georgian Lari ("GEL"), which is the functional currency of the Company, its subsidiaries and associates and the currency in which the Company's separate financial statements are presented. All amounts presented in the separate financial statements have been rounded to the nearest thousand.

Investments in subsidiaries - A subsidiary is an entity over which the Company has a control. A control is when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries in the separate financial statements of the company are stated at cost, less any accumulated impairment.

Investments in associates - Associates are entities over which the Company has significant influence (directly or indirectly), but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Company's share of net assets of an associate are recognised as follows: (i) the Company's share of profits or losses of associates is recorded in the statement of profit or loss and other comprehensive income as share of result of associates, (ii) the Company's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Company's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

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However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss.

Foreign currencies - In preparing the separate financial statements of each individual company entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing by National Bank of Georgia at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing by National Bank of Georgia at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing by National Bank of Georgia at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

The exchange rates used by the Company in the preparation of the separate financial statements as at year-end are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
GEL/1 US Dollar	2.6894	2.7020
GEL/1 Euro	2.9753	2.8844

Property, plant and equipment - Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired. Subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. Costs of minor repairs and maintenance are expensed when incurred.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the statement of profit or loss and other comprehensive income within other operating income and expenses.

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Depreciation - Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Categories of property, plant and equipment	Depreciation rates
Machinery	20%
Vehicles	20%
Buildings	5%
Office equipment	20%

Construction in progress is not depreciated until it will be ready for use.

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property - Investment property is property held by the Company to earn rental income or for capital appreciation, or both and which is not occupied by the Company. Investment property is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost net of accumulated depreciation and recognized impairment loss. Depreciation is calculated on a straight line basis over the useful life of the assets, which on buildings is 5%. Freehold land is not depreciated.

For impairment analysis and disclosure purposes Company determines market value of investment property internally. Company holds relevant professional qualification for investment property valuation.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost for accounting purposes.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Intangible assets - The Company's intangible assets other than goodwill have definite useful lives and primarily include acquired computer and accounting software licences which are stated at cost less accumulated amortisation. Intangible assets are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use.

The estimated useful live for computer software licenses are determined to be 5 years and accounting software for 10 years.

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Impairment of tangible and intangible assets - At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss.

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 Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. 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.

Advances received - Advances received represents advances received for the construction contracts. Liability arising from advances received are recognized when consideration from a client is received. Advances received is decreased as works are performed and delivered to the client. Advances received are classified as either current or non-current depending on the agreed delivery terms.

Income taxes - Income taxes have been provided for in accordance with Georgian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in other comprehensive income or directly in equity.

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Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if separate financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses. The Company's liability for current tax is calculated as a sum of tax liability of each entity.

In May 2016, the parliament of Georgia approved a change in the current corporate taxation model, with changes applicable on 1 January 2017 for all entities apart from certain financial institutions. The changed model implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the company's profit before tax, regardless of the retention or distribution status.

The amendments to the Georgian tax law described above also provide for charging income tax on certain transactions that are considered as profit distributions, e.g. some transactions at non-market prices, non-business related expenses or supply of goods and services free of charge. Taxation of such transaction is outside scope of IAS 12 *Income Taxes* and is accounted similar to taxes other than on income starting from 1 January 2017 in accordance with IAS 37 provisions when respective transactions occur; respective reimbursements if any are recognized as assets when the reimbursement is virtually certain.

Value added tax ('VAT') - Output VAT related to sales is payable to tax authorities upon delivery of the goods to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis per each Company entity and disclosed as either an asset or a liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories - Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

Disclosures are made in these separate financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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Classification of financial assets – Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met;
- The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All financial instruments and operations performed by the Company are pointed to collect contractual cash flows which are solely payments of principal and interest on the principal amount outstanding, except for Investments in Financial Assets Carried at FVTPL, which are held to collect investment income together with contractual cash flows.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Changes in fair value of the investments carried at FVTPL' line item. Fair value is determined in the manner described in Note 23.

Construction contract assets, trade and other receivables, term deposit in banks and loans issued -

Construction contract assets, trade and other receivables, term deposit in banks and loans issued are carried at amortised cost using the effective interest method.

Cash and cash equivalents - Cash and cash equivalents comprise cash on hand and cash deposited in banks due on demand or with original maturities of less than three months. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Term deposits in banks comprises cash deposited in banks with original maturities of more than three months. Term deposits in banks are carried at amortised cost using the effective interest method.

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Impairment of financial assets. The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments at amortised cost. 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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The company provides 12-months ECLs for cash and bank balances.

For trade and other 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. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. For approach of PD estimations the Company uses historical PDs produced by the rating agencies.

The Company performs the individual assessment for the issued loans. Significant financial difficulties of the counterparty, probability that the counterparty will suffer bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the issued loans is potentially impaired. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. In all cases, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

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Derecognition of financial assets - The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities and equity instruments

Classification as debt or equity - Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments - An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities - The Company's financial liabilities include trade and other payables and borrowings.

Trade and other payables - Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade and other payables are stated inclusive of value added tax.

Borrowings - Borrowings are recognised initially at their fair values less transaction costs incurred. Fair value is determined using the prevailing market rate of interest for a similar instrument. Subsequent to initial recognition, borrowings are carried at amortised cost using the effective interest method, with any difference between the amount at initial recognition and redemption amount being recognised in profit or loss as an interest expense over the period of the borrowings.

Initial recognition of financial instruments - All financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Charter capital - The amount of 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 owner. The authorised capital is recognised as charter capital in the equity of the Company to the extent that it was contributed by the owner to the Company.

Dividends - Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the separate financial statements are authorised for issue are disclosed in the subsequent events note.

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Provisions for liabilities and charges - Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Revenue recognition - Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer. Company generates revenue from construction contracts, sale of goods, and operating rent income. The Company's policy for revenue recognition described below: Construction contracts, Sales of goods and rental income.

Construction contracts - Revenue from construction contracts is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Management considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as unbilled construction contract assets. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts construction contract liabilities. Amounts received before the related work is performed are included in the separate statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the separate statement of financial position under billed construction contract assets.

The performance obligations the Company has under its contracts with customers are satisfied and revenue is recognized over time. The Company transfers service over time and, therefore, satisfies a performance obligation and recognises revenue over time, based on the assumption that the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Sale of goods - Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Leases - The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is presented as a separate line in the separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the separate statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

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As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

Finance income and expenses - Finance income and expenses comprise interest expense on borrowings, interest income on loans issued and foreign exchange gains and losses that relate to borrowings and cash and cash equivalents.

Offsetting - Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Employee benefits - Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments. Starting from 1 January, 2019 the Company has legal obligation to make pension amounting to 2% of employees gross salaries and benefits.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

Completion stage. The Company recognizes construction revenue according to IFRS 15 by determination of the completion of a physical proportion of the work for each construction contract. Management estimates the stage of completion of a contract by assessing actual number work units completed as at reporting date and total number of work units to be completed for the whole contract.

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model

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and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Tax legislation and accounting for provisions. The Company's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the statement of financial position date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date. Actual charges could differ from these estimates.

Expected Credit Loss. The Company creates expected credit loss to account for estimated losses resulting from the inability of customers to make the required payments or suppliers to deliver agreed products or service. When evaluating the adequacy of an expected credit loss, management bases its estimate on current overall economic conditions, ageing of the receivables and prepayments balances, historical write-off experience, customer and supplier creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer and supplier conditions may require adjustments to the expected credit loss recorded in the separate financial statements.

5. REVENUE

During the years ended 31 December 2023 and 2022, revenue of the Company consisted of:

	<u>2023</u>	<u>2022</u>
Construction contract revenue	400,741	341,037
Revenue from sale of goods	4,523	7,186
Other revenue	<u>209</u>	<u>352</u>
Total	<u><u>405,473</u></u>	<u><u>348,575</u></u>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

6. COST OF SALES

During the years ended 31 December 2023 and 2022, cost of sales of the Company consisted of:

	<u>2023</u>	<u>2022</u>
Construction contract cost of sales	362,109	309,075
Cost of materials sold	<u>3,811</u>	<u>6,901</u>
Total	<u>365,920</u>	<u>315,976</u>

Construction contract cost of sales consisted of:

	<u>2023</u>	<u>2022</u>
Cost of materials	136,655	102,803
Cost of service	95,969	131,055
Payroll and related charges	95,973	51,688
Short-term leases	17,090	14,836
Bank charges	6,397	1,756
Depreciation expense	3,253	3,746
Cost of utilities	1,609	1,209
Cost of defects	1,704	245
Cost of Transportation	1,069	1,440
Professional service cost	673	315
Provision/(Reversal) for possible defects	215	(201)
Insurance expenses	204	177
Permissions and subscriptions	193	-
Communication expenses	51	-
Other	<u>1,054</u>	<u>6</u>
Total	<u>362,109</u>	<u>309,075</u>

7. GENERAL AND ADMINISTRATIVE EXPENSES

During the years ended 31 December 2023 and 2022, general and administrative expenses consisted of:

	<u>2023</u>	<u>2022</u>
Payroll and related charges	12,199	15,574
Depreciation and amortization	1,201	447
Professional services	1,073	847
Communication expenses	854	146
Office expenses	605	148
Bank charges	503	1,400
Repair Expenses	416	214
Rent expenses	335	402
Marketing expenses	303	95
Tax and duties	198	178
Utility Cost	194	143
Transportation cost	95	-
Insurance expenses	69	57
Other	<u>152</u>	<u>66</u>
Total	<u>18,197</u>	<u>19,717</u>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

8. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the years ended 31 December 2023 and 2022 was as follows:

	Land	Buildings	Vehicles	Machinery	Office Equipment	Total
Cost at 1 January 2022	857	7,406	2,664	22,087	2,481	35,495
Additions	45	474	861	4,522	368	6,270
Disposals	-	-	(613)	(7,482)	(1)	(8,096)
Cost at 31 December 2022	902	7,880	2,912	19,127	2,848	33,669
Additions	-	83	4,025	4,678	1,327	10,113
Disposals	-	(41)	(963)	(1,315)	(202)	(2,521)
Cost at 31 December 2023	902	7,922	5,974	22,490	3,973	41,261
Accumulated depreciation at 1 January 2022	-	835	819	16,923	1,814	20,391
Charge for the year	-	216	304	3,320	307	4,147
Eliminated on disposal	-	-	(223)	(6,218)	-	(6,441)
Accumulated depreciation at 31 December 2022	-	1,051	900	14,025	2,121	18,097
Charge for the year	-	280	524	3,226	415	4,445
Eliminated on disposal	-	-	(234)	(1,019)	(105)	(1,358)
Accumulated depreciation at 31 December 2023	-	1,331	1,190	16,232	2,431	21,184
Net carrying amounts						
As at 1 January 2022	857	6,571	1,845	5,164	667	15,104
As at 31 December 2022	902	6,829	2,012	5,102	727	15,572
As at 31 December 2023	902	6,591	4,784	6,259	1,541	20,077

As at 31 December 2023 and 2022, cost of fully depreciated assets included in property, plant and equipment was GEL 8,545 thousand and GEL 10,974 thousand, respectively.

As at 31 December 2023 and 2022, property, plant and equipment with the carrying value of GEL 20,077 thousand and GEL 15,572 thousand, respectively, were pledged as collateral for bank guarantees.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

9. INVESTMENT PROPERTY

Movement of investment property for the years ended 31 December 2023 and 2022 was as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost at 1 January 2022	<u>1,114</u>	<u>2,267</u>	<u>3,381</u>
Disposals	<u>-</u>	<u>(331)</u>	<u>(331)</u>
Cost at 31 December 2022	<u>1,114</u>	<u>1,936</u>	<u>3,050</u>
Cost at 31 December 2023	<u>1,114</u>	<u>1,936</u>	<u>3,050</u>
Accumulated depreciation at 1 January 2022	<u>-</u>	<u>620</u>	<u>620</u>
Charge for the year	<u>-</u>	<u>78</u>	<u>78</u>
Eliminated on disposals	<u>-</u>	<u>(36)</u>	<u>(36)</u>
Accumulated depreciation at 31 December 2022	<u>-</u>	<u>662</u>	<u>662</u>
Charge for the year	<u>-</u>	<u>97</u>	<u>97</u>
Accumulated depreciation at 31 December 2023	<u>-</u>	<u>759</u>	<u>759</u>
Net carrying amounts			
As at 31 December 2022	<u>1,114</u>	<u>1,274</u>	<u>2,388</u>
As at 31 December 2023	<u>1,114</u>	<u>1,177</u>	<u>2,291</u>

The land plots classified as investment property are located in Tbilisi and Kobuleti.

The fair value of the Company's investment property at 31 December 2023 and 2022, has been arrived at on the basis of a valuation carried out on the respective date by the Company's internal valuers. They have appropriate experience in the valuation of properties in the relevant locations.

The fair value of the investment property was determined in USD based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the investment property as at 31 December 2023 and 2022, was GEL 7,239 thousand and GEL 6,811 thousand, respectively.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

10. CONSTRUCTION CONTRACT ASSETS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Billed amount due from costumers under construction contracts	64,998	90,993
Unbilled amount due from costumers under construction contracts	121,175	63,801
	186,173	154,794
Less: allowance for expected credit loss	(15,897)	(11,284)
Total	170,276	143,510
Current term portion	161,123	131,938
Non-current portion	9,153	11,572
	170,276	143,510

As at 31 December 2023 and 2022, construction retentions in construction receivables were GEL 7,756 thousand and GEL 15,238 thousand, respectively.

In determining the recoverability of a construction contract assets, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The impairment recognised represents the difference between the carrying amount of these construction contract assets and the present value of the expected liquidation proceeds. The Company does not hold any collateral over these balances.

Movement in the allowance for expected credit loss for trade and other receivables are as follows:

	<u>2023</u>	<u>2022</u>
Balance as at the beginning of the year	11,284	10,658
Additional provisions recognized	11,098	5,257
Recovery of provisions	(6,485)	(4,631)
Balance as at the end of the period	15,897	11,284

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

The following table details the risk profile of construction contract assets:

31 December 2023	Not past due	- less than 30 days overdue	- 30 to 60 days overdue	- 61 to 90 days overdue	- over 90 days overdue	Total
Expected credit loss rate	5.1%	10.0%	20.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	174,950	4,306	313	108	6,496	186,173
Lifetime ECL	(8,853)	(431)	(63)	(54)	(6,496)	(15,897)

31 December 2022	Not past due	- less than 30 days overdue	- 30 to 60 days overdue	- 61 to 90 days overdue	- over 90 days overdue	Total
Expected credit loss rate	2.1%	10.0%	20.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	137,489	9,145	433	616	7,111	154,794
Lifetime ECL	(2,863)	(915)	(87)	(308)	(7,111)	(11,284)

The table below provides a credit risk rating grade disclosures:

	31 December 2023		
	Lifetime ECL - not credit- impaired	Lifetime ECL – credit-impaired	Total
Non-overdue	(8,853)	-	(8,853)
0-30 past due	(431)	-	(431)
30-60 past due	(63)	-	(63)
60-90 past due	(54)	-	(54)
90> past due	-	(6,496)	(6,496)
Total	(9,401)	(6,496)	(15,897)

	31 December 2022		
	Lifetime ECL - not credit- impaired	Lifetime ECL – credit-impaired	Total
Non-overdue	(2,863)	-	(2,863)
0-30 past due	(915)	-	(915)
30-60 past due	(87)	-	(87)
60-90 past due	(308)	-	(308)
90> past due	-	(7,111)	(7,111)
Total	(4,173)	(7,111)	(11,284)

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

11. INVESTMENT IN SUBSIDIARIES

Company's principal subsidiaries are registered in Georgia and were as follows as of 31 December 2023 and 2022.

Name	Nature of business	31 December 2023		31 December 2022	
		Carrying value	Ownership share	Carrying value	Ownership share
LLC Anagi Betoni (Lugo)	Concrete production	3,900	65.0%	3,900	65.0%
LLC Anagi Mechanization	Renting construction equipment	1,604	60.0%	1,604	60.0%
LLC Anagi Batumi	Real estate development	-	100.0%	-	100.0%
LLC Anagi Education	Education	3,642	100.0%	-	100.0%
LLC Anagi Hotel Development	Real Estate Development	-	100.0%	-	100.0%
		9,146		5,504	

12. INVESTMENT IN ASSOCIATES

Company's principal associates are registered in Georgia and were as follows as of 31 December 2023 and 2022.

Name	Nature of business	31 December 2023		31 December 2022	
		Carrying value	Ownership share	Carrying value	Ownership share
JSC Supsa Energy	Energy	434	50 %	434	50 %
LLC GTC Rent	Renting Construction Equipment	-	50 %	-	50 %
LLC GTC Trading	Renting Construction Equipment	3,624	50 %	3,624	50 %
LLC Green Cape - Botanico	Real Estate Development	-	49 %	-	49 %
LLC Capital Company 1	Renting commercial spaces	100	50 %	100	50 %
LLC Deka Construction	Construction	-	50 %	-	50 %
LLC Deka Development	Real Estate Development	-	50 %	-	50 %
LLC Deka Didi Dighomi	Real Estate Development	-	50 %	-	50 %
LLC Deka Verona	Real Estate Development	-	50 %	-	50 %
LLC Deka Lisi	Real Estate Development	7,139	50 %	-	-
LLC Anagi Development 2	Real Estate Development	-	50 %	-	50 %
LLC H 1	Real Estate Development	-	50 %	-	50 %
LLC H 2	Real Estate Development	-	50 %	-	50 %
LLC Georgian-American Academy Progress	Education	-	45 %	-	45 %
LLC Ibis Styles Batumi	Real Estate Development	-	50 %	-	50 %
LLC Batumi Beach Resorts	Real Estate Development	-	50 %	-	50 %
LLC GR Development	Real Estate Development	-	50 %	-	-
LLC International Logistic Company	Real Estate Development	-	50 %	-	-
LLC Warehouse Wolt	Real Estate Development	-	50 %	-	-
LLC Capital Company 3	Real Estate Development	1	50 %	-	-
		11,298		4,158	

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

13. LOANS ISSUED

	<u>31 December 2023</u>	<u>31 December 2022</u>
Gross Amount of loans issued	26,165	22,128
Less - allowance for impairment	(643)	(887)
Loans issued, net	<u>25,522</u>	<u>21,241</u>
Non-current portion of loans issued	7,466	13,454
Current portion of loans issued	<u>18,056</u>	<u>7,787</u>
Total	<u>25,522</u>	<u>21,241</u>

Movement in impairment provision for loans issued during the reporting period was as follows:

	<u>2023</u>	<u>2022</u>
Balance as at the beginning of the year	887	929
Additional provisions recognized	109	387
Recovery of provisions	(353)	(429)
Balance as at the end of the period	<u>643</u>	<u>887</u>

14. INVESTMENTS IN FINANCIAL ASSETS CARRIED AT FVTPL

	<u>31 December 2023</u>	<u>31 December 2022</u>
Investment in Green Cape – Botanico LLC	8,592	9,540
Investment in Deka Development LLC	4,444	3,715
Investment in Deka Verona LLC	<u>2,867</u>	<u>-</u>
Total	<u>15,903</u>	<u>13,255</u>
Current	11,459	3,054
Non-current	<u>4,444</u>	<u>10,201</u>

By the end of 2023, the Company made an investment in Deka Verona LLC. As a result, the Company generated 'day one' gain which is deferred in amount of GEL 798 thousand. Realised deferred gains in 2023 and 2022 is GEL 2,523 and 1,917, respectively. As at 31 December 2023 and 2022 the balance of deferred 'day one' gain is GEL 1,329 thousand and GEL 3,054 thousand, respectively.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

15. INVENTORIES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Raw materials	74,867	37,634
Spare parts and consumables	2,566	2,780
Other	3,504	9
Total gross inventory	<u>80,937</u>	<u>40,423</u>
Less: provision for inventory losses	<u>(2,577)</u>	<u>(2,812)</u>
Inventory, net	<u><u>78,360</u></u>	<u><u>37,611</u></u>

Movement in the provision are as follows:

	<u>2023</u>	<u>2022</u>
Balance as at the beginning of the year	2,812	2,362
(Recovery)/provision of inventory losses	<u>(235)</u>	<u>450</u>
Balance as at the end of the period	<u><u>2,577</u></u>	<u><u>2,812</u></u>

16. TRADE AND OTHER RECEIVABLES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Trade receivable	34,818	30,735
Due from employees	54	19
Less: allowance for expected credit loss	<u>(4,200)</u>	<u>(3,798)</u>
Trade and other receivables, net	<u><u>30,672</u></u>	<u><u>26,956</u></u>
Non-current portion of trade and other receivables	10,547	9,041
Current portion of trade and other receivables	<u>20,125</u>	<u>17,915</u>
Total	<u><u>30,672</u></u>	<u><u>26,956</u></u>

Movement in the allowance for expected credit loss for trade and other receivables are as follows:

	<u>2023</u>	<u>2022</u>
Balance as at the beginning of the year	3,798	1,859
Accrual	719	2,488
Recovery of provisions	<u>(317)</u>	<u>(549)</u>
Balance as at the end of the period	<u><u>4,200</u></u>	<u><u>3,798</u></u>

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In determining the recoverability of trade and other receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Company does not hold any collateral over these balances.

The following table details the risk profile of trade and other receivables:

31 December 2023	Not past due	- less than 30 days overdue	- 30 to 60 days overdue	- 61 to 90 days overdue	- over 90 days overdue	Total
Expected credit loss rate	3.7%	10.0%	20.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	30,824	620	273	439	2,716	34,872
Lifetime ECL	(1,148)	(62)	(55)	(219)	(2,716)	(4,200)

31 December 2022	Not past due	- less than 30 days overdue	- 30 to 60 days overdue	- 61 to 90 days overdue	- over 90 days overdue	Total
Expected credit loss rate	4.0%	10.0%	20.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	27,236	865	32	2	2,619	30,754
Lifetime ECL	(1,085)	(87)	(6)	(1)	(2,619)	(3,798)

The table below provides a credit risk rating grade disclosures:

	31 December 2023		
	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	Total
Non-overdue	(1,148)	-	(1,148)
0-30 past due	(62)	-	(62)
30-60 past due	(55)	-	(55)
60-90 past due	(219)	-	(219)
90> past due	-	(2,716)	(2,716)
Total	(1,484)	(2,716)	(4,200)

	31 December 2022		
	Lifetime ECL - not credit-impaired	Lifetime ECL – credit-impaired	Total
Non-overdue	(1,085)	-	(1,085)
0-30 past due	(87)	-	(87)
30-60 past due	(6)	-	(6)
60-90 past due	(1)	-	(1)
90> past due	-	(2,619)	(2,619)
Total	(1,179)	(2,619)	(3,798)

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

17. PREPAYMENTS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Prepayments for inventory	13,416	18,743
Prepayments for service	35,771	26,146
Prepayments to Employees	1,676	1,075
Prepayments for PPE	724	2,550
Other prepayments	183	358
	51,770	48,872
Less: allowance for provision	<u>(2,433)</u>	<u>(952)</u>
Total amount	49,337	47,920
Current	48,775	45,408
Non-current	562	2,512
Total	49,337	47,920

Movement in the allowance for expected credit loss is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance as at the beginning of the year	952	505
Accrual	1,908	794
Recovery of provisions	<u>(427)</u>	<u>(347)</u>
Balance as at the end of the period	<u>2,433</u>	<u>952</u>

18. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash in bank	<u>37,323</u>	<u>11,292</u>
Total cash and cash equivalents	<u>37,323</u>	<u>11,292</u>

Restricted Cash – the Company classifies as restricted cash all cash use of which is otherwise limited by contractual provisions towards customers. As at 31 December 2023 and 2022 the Company has GEL 30,522 thousand and 12,644 thousand as a restricted cash, respectively.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

19. ADVANCES RECEIVED

Advances received represents advances received for the construction contracts from various customers.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Current	232,937	106,892
Non-current	49,682	36,051
Total	<u>282,619</u>	<u>142,943</u>

The following table shows how much of the revenue recognized in the current reporting period relates to brought-forward advances received.

	<u>2023</u>	<u>2022</u>
Revenue recognized in the current reporting period relating to brought-forward advances received	91,294	55,426

20. TRADE AND OTHER PAYABLE

	<u>31 December 2023</u>	<u>31 December 2022</u>
Trade payables for sub-contractor's service	25,924	23,906
Trade payables for inventory	16,753	11,806
Salaries payable	16,825	4,644
Payables for acquisition of associates	7,835	540
Payables for non-current assets	1,506	867
Other payables	1,096	640
Total	<u>69,939</u>	<u>42,403</u>
Non-current	3,975	5,664
Current	65,964	36,739

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

21. BORROWINGS

	Currency	Interest rate	Maturity	31-Dec-23	31-Dec-22
Borrowings:					
JSC Bank of Georgia	EUR / USD / GEL	8.5% / 10.5% / 15.5%	2024	4,421	34,939
JSC TBC Bank	GEL	9.2% / 15.5%	2024	6,810	26,581
LLC Orbi Group Batumi	GEL	0%	2024	300	-
Anagi Mechanization	GEL	0%	2024	829	-
Nana Aroshidze	USD	0%	2023	-	135
Din and Partners LLC	USD	0%	2024	677	681
Total				13,037	62,336
Long-term portion				-	-
Short-term portion				13,037	62,336
Total				13,037	62,336

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	1 January 2023	Financing cash flows (i)	Interest changes (ii)	Foreign exchange loss/(gain)	Other changes	31 December 2023
Borrowings	62,336	(47,091)	(1,814)	820	(1,214)	13,037
	1 January 2022	Financing cash flows (i)	Interest changes (ii)	Foreign exchange loss/(gain)	Other changes	31 December 2022
Borrowings	61,562	2,928	(1,611)	(543)	-	62,336

- i) The financing cash flows represents the net amount of proceeds from borrowings and repayments of borrowings in the separate statement of cash flows.
- ii) Interest changes include interest accruals and payments.

22. EQUITY

Charter capital represents the nominal amount of capital of the Company.

During the year the Company declared dividends in the amount of GEL 5,707 thousand including personal income tax (GEL 5,421 thousand excluding taxes), out of which Company paid GEL 1,183 thousand by cash and netted off remaining 4,238 thousand with loans issued to shareholder in 2023.

During 2022 Company declared and paid by cash GEL 13,922 thousand dividend including personal income tax (GEL 13,226 thousand excluding taxes).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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23. FINANCIAL INSTRUMENTS

Fair value measurements- 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. The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Georgia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The fair value of cash and cash equivalents was determined using level 1 measurement. The fair values of all other financial assets and liabilities were determined using level 3 measurement. The level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique for which comparable market prices have been used. Estimated fair values do not materially differ from their carrying amounts.

The Company measures fair value of its Investments in Financial Assets Carried at FVTPL at the end of each reporting period using the discounted cash flow method (Level 3 fair value hierarchy): expected future cash flows of the investments are estimated based on the current and forecasted market conditions and discounted using the discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Notwithstanding the above, management considers that the valuation of its investments is currently subject to an increased degree of judgement and an increased likelihood that actual proceeds from investments may differ from their carrying values. The principal assumptions underlying the estimation of the fair value are those relating to the future property prices, sales quantities and discount rates, which vary between 13%-15%. The interrelation between the fair values of the investments and the main inputs are as follows: higher the sales prices/quantity, higher the fair value. By contrast, higher the discount rate, lower the fair value.

Gain from changes in fair value of the investments carried at FVTPL for the year ended 2023 amounted to GEL 1,850 thousand (2022: loss of GEL 2,799 thousand).

Financial assets carried at amortised cost - The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of construction receivable, trade and other accounts receivable, loans issued and other financial assets recorded in the separate financial statements approximate fair values due to their short term maturities.

Liabilities carried at amortised cost - The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Management of the Company considers that the carrying amounts of financial liabilities recorded in the separate financial statements approximate their fair values.

Capital risk management – The Company manages its capital to ensure that entity will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. Management of the Company reviews the capital structure on a regular basis. Based on the

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

results of this review, the Company takes steps to balance its overall capital structure through the payment of dividends, as well as taking of new borrowings or redemption of existing ones.

The gearing ratio at end of the reporting period was as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Borrowings	13,037	62,336
Cash and cash equivalents	(37,323)	(11,292)
Net borrowings	(24,286)	51,044
Equity	99,114	86,168
Net debt to equity ratio	-24.5%	59.24%

Major categories of financial instruments – The Company’s principal financial liabilities comprise borrowings and trade and other accounts payable. The main purpose of these financial instruments is to raise finance for the Company’s operations. The Company has following financial assets: cash and cash equivalents, construction contract assets, loans issued and trade and other receivable.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Financial assets		
Cash and cash equivalents	37,323	11,292
Restricted cash	30,522	12,644
Construction contract assets	170,276	143,510
Trade and other receivables	30,672	26,956
Loans issued	25,522	21,241
Investments in financial assets carried at FVTPL	15,903	13,255
Total financial assets	<u>310,218</u>	<u>228,898</u>
	<u>31 December 2023</u>	<u>31 December 2022</u>
Financial liabilities		
Trade and other payables	69,939	42,403
Borrowings	13,037	62,336
Total financial liabilities	<u>82,976</u>	<u>95,944</u>

The main risks arising from the Company’s financial instruments are foreign currency, interest rate, credit and liquidity risks.

Foreign currency risk – Currency risk is the risk that the financial results of the Company will be adversely impacted by changes in exchange rates to which the Company is exposed. The Company undertakes certain transactions denominated in foreign currencies. The Company does not use any derivatives to manage foreign currency risk exposure.

The carrying amounts of the Company’s foreign currency denominated monetary assets and liabilities as at 31 December 2023 and 31 December 2022 were as follows:

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

	31 December 2023		31 December 2022	
	USD	EUR	USD	EUR
	USD 1 = 2.6894 GEL	EUR 1 = 2.9753 GEL	USD 1 = 2.7020 GEL	EUR 1 = 2.8844 GEL
Financial assets				
Cash and cash equivalents	24	30	49	184
Restricted cash	121	-	-	3,420
Construction contract assets	35,105	2,377	68,132	989
Trade and other accounts receivables	6,541	10,339	6,496	9,669
Investments in financial assets carried at FVTPL	13,240	-	13,255	-
Loans issued	15,042	3,237	14,401	538
Total financial assets	70,072	15,983	102,333	14,800
Financial liabilities				
Trade and other payables	19,718	6,527	12,693	3,235
Borrowings	8,540	2,642	816	508
Total financial liabilities	28,258	9,169	13,509	3,733
Total net position	41,814	6,814	88,824	11,067

The table below details the Company's sensitivity to strengthening/weakening of functional currency against foreign currencies by 20% as at 31 December 2023 and 31 December 2022. The analysis was applied to monetary items at the reporting date denominated in respective currencies.

As at 31 December 2023:

	USD impact		EUR impact	
	USD/GEL	USD/GEL	EUR/GEL	EUR/GEL
	20%	- 20%	20%	- 20%
Profit/(loss) before tax	8,363	(8,363)	1,363	(1,363)

As at 31 December 2022:

	USD impact		EUR impact	
	USD/GEL	USD/GEL	EUR/GEL	EUR/GEL
	20%	- 20%	20%	- 20%
Profit/(loss) before tax	17,765	(17,765)	2,213	(2,213)

Interest rate risk – Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Company. The Company has limited exposure to the interest rate risk as it borrows funds only at fixed interest rates.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Credit risk – Credit risk is the risk that a customer may default or not meet its obligations to the Company on a timely basis, leading to financial losses to the Company.

The carrying amount of financial assets recorded in the separate financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk. All clients go through client acceptance procedures before forming an agreement with the Company and, as a result, only creditworthy clients are selected. The Company also establishes credit limits to its customers.

Credit risk is the risk that a customer may default or not meet its obligations to the Company on a timely basis, leading to financial losses to the Company. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables and loans disbursed) and from its financing activities, including accounts with banks and related parties, foreign exchange transactions and other financial instruments.

The credit risk on cash and cash equivalents and term deposits in banks is limited because the counterparties are banks with positive credit ratings (BB-). For cash and cash equivalents and term deposits in banks the ECL is calculated using benchmarking the exposure to the risk of default according to the research produced by the international credit agencies (Moody's).

For financial assets or contract assets that do not contain a significant financing component, the Company uses simplified approach of ECL calculation. Under the simplified approach the Company either classifies financial assets into stage 2 or stage 3. The Company measures the loss allowance for financial assets at an amount equal to lifetime ECL.

For trade and other receivables the expected credit losses are estimated by reference to past default experience of the debtor, financial condition for the year, an analysis of the debtor's overdue days and migration between overdue buckets for the past 3 years.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

For loans disbursed the expected credit loss is individually reviewed and calculated based on the past default experience of the debtor and financial condition for the year.

The expected credit loss on financial assets are estimated by multiplying probability of default by loss given default and by exposure at default.

Liquidity risk – Liquidity risk is the risk that the Company will not be able to settle all liabilities as they are due.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as at 31 December 2023 and 31 December 2022. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. Such undiscounted cash flows differ from the amount included in the statement of financial position because this amount is based on discounted cash flows. The tables include both interest and principal cash flows.

	Weighted-Average Interest rate	Carrying value	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
31 December 2023							
Trade and other payable	0%	69,939	29,063	8,097	28,804	3,975	69,939
Borrowings	8.06%	13,037	2,954	4,294	6,284	-	13,532
		82,976	32,017	12,391	35,088	3,975	83,471

	Weighted-Average Interest rate	Carrying value	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
31 December 2022							
Trade and other payable	0%	42,403	36,739	-	-	5,664	42,403
Borrowings	14.56%	62,336	23,309	35,994	4,003	-	63,306
		104,739	60,048	35,994	4,003	5,664	105,709

24. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include owners, entities under common ownership and control with the Company and members of key management personnel.

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

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Company had the following balances and transactions with related parties:

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (In thousands of Georgian Lari)

	31 December 2023				
	Subsidiaries	Owner	Entities under common control	Other	Total
Trade and other receivables	562	7,459	4,696	17,943	30,660
Construction contract assets	-	2,299	4,031	10,293	16,623
Prepayments	-	-	-	3,347	3,347
Loans issued	7,466	-	3,425	9,955	20,846
Investments in financial assets carried at FVTPL	-	-	-	15,903	15,903
Trade and other payables	1,947	-	251	20,783	22,981
Advances received	829	-	3,367	-	4,196
Construction revenue	-	-	4,046	13,792	17,838
Other revenue	5	48	114	2	169
Other income	927	841	1,080	927	2,856
Purchases	4,784	-	456	7,887	13,127

	31 December 2022				
	Subsidiaries	Owner	Entities under common control	Other	Total
Trade and other receivables	554	6,270	3,736	15,097	25,657
Construction contract assets	-	2,145	2,688	19,153	23,986
Prepayments	307	-	-	1,609	1,916
Loans issued	7,207	-	1,084	9,514	17,805
Investments in financial assets carried at FVTPL	-	-	-	13,255	13,255
Trade and other payables	1,625	-	255	15,516	17,396
Advances received	-	-	149	8,685	8,834
Construction revenue	-	908	1,008	22,960	24,876
Other revenue	52	4,293	115	2,404	6,864
Other income	-	-	169	2,223	2,392
Purchases	916	-	24	-	940

The compensation of the key management personnel for the years ended 31 December 2023 and 2022 was GEL 14,913 thousand and GEL 9,132 thousand.

25. COMMITMENTS AND CONTINGENCIES

Commitments – The Company as at 31 December 2023 and 31 December 2022 had contractual construction commitments towards customers as follows:

	31 December 2023		
	USD	GEL	EUR
Construction commitments	29,497	174,280	3,362

	31 December 2022		
	USD	GEL	EUR
Construction commitments	54,082	76,151	25,249

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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Legal proceedings - As at 31 December 2023 and 31 December 2022, the Company was not engaged in any significant litigation proceedings. Management is of the opinion that no material un-accrued losses will be incurred and accordingly no provision has been made in these separate financial statements.

Taxes – Georgian tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management’s interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Company may be assessed additional taxes, penalties and interest. The Company believes that it has already made all tax payments, and therefore no allowance has been made in the separate financial statements. Tax years remain open to review by the tax authorities for three years.

Operating environment – Emerging markets such as Georgia are subject to different risks than more developed markets; these include economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to evolve rapidly with tax and regulatory frameworks subject to varying interpretations.

The future economic direction of Georgia is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

In 2023 the Georgian economy demonstrated positive economic dynamics. This trend was also supported by the migration of foreign citizens that caused higher demand on products and services. However, higher demand and therefore increases in prices also contribute to the inflation in Georgia.

Management is unable to predict all developments which could have an impact on the Georgian economy and consequently what effect, if any, they could have on the future financial position of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company’s business.

26. EVENTS AFTER THE REPORTING PERIOD

There is no significant subsequent events that require disclosure or adjustment in financial statements.

27. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements were approved by management and authorized for issue on 2 August 2024.

**MANAGEMENT REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Figures in tables are given in thousands of Georgian Lari

MANAGEMENT REPORT

1. COMPANY AND ITS ACTIVITIES

Anagi is the largest construction company in Georgia. It was founded in 1989 and shortly afterward took up the leading position in the construction sector of the country, currently maintaining this position with dignity.

As at 31 December 2023 and 2022 100% of Company shares are effectively owned by its ultimate beneficiary Mr Zaza Gogotishvili.

The main activity of Anagi is civil and industrial construction; the scope of its activities includes the full spectrum of the construction field. The company is ready to offer a full-service package to a customer – starting from design works and completing with the commissioning of the site.

Anagi offers a full package of design and construction services or any part, thereof, to interested natural and legal persons, including:

- Construction of hotels, residential, public, industrial buildings, and single-family homes
- Interior design and indoor works
- Exterior finishing works
- Management of design and construction activities
- Provision of motor vehicles and construction machinery services
- Laboratory services to determine the quality of building materials and products, and the compliance with Standards
- Advisory services regarding the organization, technology, legal procedures, and other directions of the field.

Since 2011 Quality Management System – ISO 9001 has been introduced in the company, which continues to function efficiently. In 2017, Anagi successfully completed recertification in accordance with the rules established by the International Organization for Standardization and obtained ISO 9001:2015 certificate. Implementation of modern technologies and systems in management, and in the first place in construction, is the main priority of Anagi.

The company employs highly qualified engineering personnel, most of them having over 10 years of work experience. Currently, the company employs almost 2 500 people.

2. DEVELOPMENT PLANS OF THE COMPANY

Many years of successful activity and experience of Anagi in the construction field allowed the company to obtain high qualifications in the field of construction production and enabled it to develop a flexible and comfortable environment for relations with customers.

**MANAGEMENT REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Figures in tables are given in thousands of Georgian Lari

Rapidly developing technologies and highly competitive environment creates additional motivation for the company to utilize new, innovative approaches in the construction, as well as in the management. The engineering team, procurement, and technology departments constantly search for, test and implement the innovations offered in the construction sector.

1) Quality Control

I - development of an efficient cooperation mechanism with the production department to serve both the executive and the quality team.

II - Formation of a team of quality engineers and their assistance and provision of appropriate training. Team of internal quality engineers assesses work performed on sites and assists remediation of deficiencies if any. Team is expanding yearly and currently quality control department consists of 45 engineers. In order to provide for efficient experience sharing, raising motivation and refining structure management, the division has established a ranking system, by introducing 5 ranks: senior quality engineer, quality engineer, quality specialist, assistant, and trainee with a trial period, and defined the scope of financial reimbursement.

III - beginning of on-site work, refinement of record-taking and progress control mechanisms, which gives the Company management opportunity to directly observe process and eradicate any deficiency in a quick and effective manner.

IV - Refining normative requirements based on the available experience and information

Synchronisation of normative documents - it has been decided to synchronise the normative base developed in the division with the documents currently effective in the country to simplify communication with customers and their supervisors. About 10 such documents have already been drafted.

2) Construction Technologies

I - employment of engineering staff using the rotation principle in order to maximise the use of leading engineers and experience in the Company.

In order to raise awareness of the issues dealt with by conditional opponents of quality engineers, aka administrators, the Company introduced a medium-term production on-site training for quality engineers, which will improve their knowledge in construction planning, workforce management and existing processes.

II - determining and archiving of the problems found at construction sites;

In order to improve the quality of archiving for the administrative documents managed in the division, the Viber platform was replaced with Workplace, which will maintain continuity and availability of the production documents collected in the past periods;

III - organization of trainings, with priority given to trainings and seminars organised by the world's leading manufacturers;

IV - organisation of thematic search and development of alternative methodology in order to ensure fundamental resolution of pending technical problems;

**MANAGEMENT REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Figures in tables are given in thousands of Georgian Lari

In order to improve the existing technology and ensure a higher quality in recommendations made based on the historical information, the division has created industry-specific teams, which, apart from standard works, also specialise in monitoring specific technologies, such as hydro-isolation, automated plastering, wet facade technology, etc, to strengthen the quality teams working at the sites with personnel experienced in the kind of work in progress and shorten the time required for sharing the experience.

3) Workplace hygiene and labor protection is a part of Anagi LLC's Health and Safety Policy.

The key objective of the Workplace Safety Policy is to ensure all employees with such a work environment where they will enjoy a high level of adherence to the principles of equality, collegiality and mutual respect and will have all the tools and aids necessary to carry out their duties effectively.

This commitment is supported by the Company's Policies through its Health, Safety, and Environmental Management System.

The tasks of workplace hygiene, safety, and environmental protection are the main motive force for the Labor Protection and Safety Policy Department of Anagi LLC. This Department was created for effective, everyday control of operational and strategic issues.

Labor Health and Safety Engineering Department of Anagi LLC is committed to the following ideas:

- Ensure systematic improvement of working conditions
- Protect employees' labor rights
- Improve working conditions
- Improve hygiene and sanitary conditions
- Provide necessary training and instruction for the employees

3. Main financial and non-financial indicators, and additional disclosures regarding the amounts recorded in the financial statements

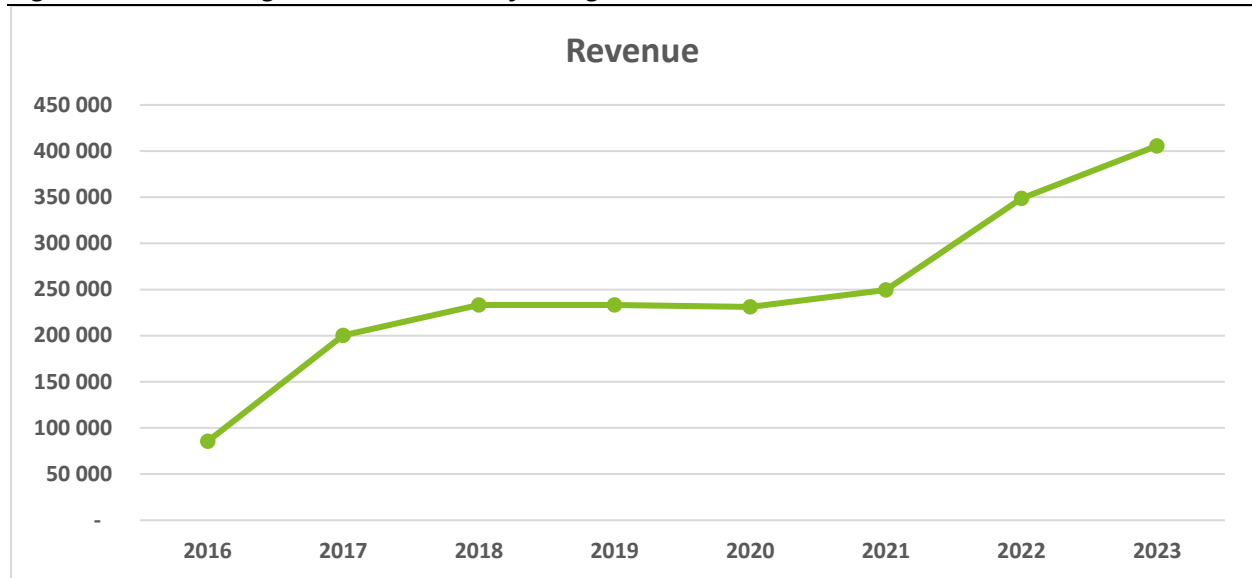
According to the separate financial statements, the revenue for the year 2023 was GEL 405,034 thousand, 98.8% of which was revenue from construction activities amounted – GEL 400,302 thousand. The revenue from construction activities for the year has shown significant increase amounted 17.4% compared to 2022 (GEL 341,037 thousand) which is mainly caused obtaining significant construction contracts.

The Company expects that its activities will grow significantly as a result of obtaining further significant contracts 2024-25 and 2024 revenue reaches to GEL 618 million excluding VAT. The chart below shows the trend in the revenue from 2016 to 2023:

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MANAGEMENT REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Figures in tables are given in thousands of Georgian Lari



Liquidity Ratio

	31 December 2023	31 December 2022
Quick liquidity ratio	102%	108%
Current liquidity ratio	126%	125%

Quick liquidity ratio is calculated by dividing the sum of current deposits, cash and cash equivalents, trade and other receivables and other current assets by the current liabilities including taxes payable, current borrowings, trade and other payables and current part of advances received.

The Company does not experience any problem with liquidity. The management believes that it will be able to settle all the current liabilities without having to attract additional funds.

Profitability ratios

	2023	2022
Net profit margin	4%	-3%
Gross profit margin	10%	9%
Rate of return on equity	17%	-14%

The existing trend in the rate of return demonstrates that the Management is effective in managing the Company assets to generate profit, while profitability of sales is indicative that the Company is able to generate profit from its revenues.

**MANAGEMENT REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Figures in tables are given in thousands of Georgian Lari

The Company has been active on the Georgian market for years and regards 3 companies as its rivals. However, unlike its rivals, which operate in certain construction industries, the Company is active in all the industries of its competitors, which contributes to its strength on the market. The Company cooperates with largest commissioners in Georgia through to its brand and image of a stable and trustworthy company, including its 33-year long experience, customer-oriented approach, financial solidity and sustainable settlement of its liabilities.

The management believes that the success enjoyed by the Company is largely due to the high professionalism of its team. Majority of the engineering and technical staff involved in the construction processes have the experience of over 10 years, and in some cases, over 20 years as well.

4. Main Risks and Uncertainties

4.1 Market Risks and Their Management

Currently, the main uncertainty faced by the Company is the market demand for large-scale projects. However, the Company does not expect risks to be exaggerated in this regard.

The Company is exposed to market risks, which include fluctuation of the fair value of cash flows from financial instruments due to variability of market prices. This might be mainly caused by currency and interest risks.

Uncertainties also include the potential future strengthening of financial and other regulations, which will directly or indirectly cause stagnation or reduction of the real estate market. On the other hand, historical evidence shows that such regulations, when they brought about adverse effects after initiation or implementation, may be reviewed or even softened.

4.1.1 Currency risk

The Company is exposed to the currency devaluation risk, as the primary economic currency of the Company (Georgian Lari) has shown strong fluctuation tendencies. In the recent years, devaluation of Georgian Lari has significantly affected the Company's financial indicators and profitability ratios. The Company has several contracts denominated in US Dollar and its expenses are mainly paid in USD. However, there are contracts (several current agreements) denominated in Georgian Lari. In order to mitigate the risk, the Company maintains its USD-denominated cash in a bank account and attracts the working funds in GEL.

4.1.2 Interest risk

In order to mitigate its interest risk, the Company borrows and lends money using fixed interest rates or LIBOR, which is a sign of stability. The Company does not expect any significant change in fixed interest rates, including in the national currency. Therefore, the fair value of the Company's cash flows is not expected to change due to fluctuations in interest rates.

**MANAGEMENT REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Figures in tables are given in thousands of Georgian Lari

4.2 Credit risk and its management

The Company is exposed to a certain amount of credit risk, which consists in the possibility that its counter-agents will fail to perform on the liabilities to the Company. The credit risk is mainly caused by trade receivables and loans issued.

Procedures are in place to mitigate the credit risk, which are used by the Company to assess solvency of a counter-agent based on historical data. There is also a maximum credit limit set for counter-agents and an individual approach with large trade debtors.

4.3 Regulation risk and its management

The Company also faces regulation risk, which consists in the possible imposition of restrictions on mortgage loans for bank, which would significantly reduce issuance of such loans and, consequently, the demand for residential estate. This would, in turn, affect the turnover of development companies and bring about a reduction in future construction projects, including commissions to the Company. However, such revenue makes up but a small part of the Company and does not endanger continuity of the Company's business. A lesser risk is the risk of strengthening regulations in general, in all areas, which generally slows down economic growth and may indirectly affect construction industry as well.

4.4 Operation risks and their management

The Company's main operational risks are the risk of fulfilling market demands under the quality promised to the customers of the Company, in order to avoid reputational problems and further operation. To manage the risk the Company has created a quality control system, which ensures monitoring of all processes in the Company, and elimination and reduction of deficiencies. To this end, the Company also employs highly professional and experienced personnel.

4.5 Liquidity risk and its management

The section on financial indicators above shows why the Company does not face a problem with liquidity, which means that the Company's current assets exceed its current liabilities. In order to prevent a problem with liquidity and be able to cover all the liabilities when they fall due, the Company also uses a bank credit line. In order to mitigate liquidity risk, the Company uses diversified financial assets, such as bank deposits, loans issued and trade receivables.

The Company reviews its financial position including its liquidity risk on a regular basis, at least once in a month assessing cash inflow against outflow and identifying remedies where necessary.