

# Financial Statements and Compilation Report

## Permanent Establishment of the **SAFEGE SJSC**

31 December 2023



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# Compilation Report

**მპს გრანტ თორნტონი**

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**To the management of Permanent Establishment of the SAFEGE SJSC**

We have compiled the accompanying financial statements of Permanent Establishment of the SAFEGE SJSC (the "Company") based on the information contained in the Company's accounting database, which is maintained by us in accordance to the contract for accounting services. These financial statements comprise the statement of financial position of the Company as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised) Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Enterprises (IFRS for SMEs). We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Since a compilation engagement is not an assurance engagement, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with IFRS for SMEs.

Paata Shurghaia

Managing Partner

29 November 2024



# Statement of financial position

| In Georgian lari                                        | Note | As of 31<br>December 2023 | As of 31<br>December 2022 |
|---------------------------------------------------------|------|---------------------------|---------------------------|
| <b>Assets</b>                                           |      |                           |                           |
| <i>Non-Current Assets</i>                               |      |                           |                           |
| Property and equipment                                  | 4    | 42,101                    | -                         |
| Intangible assets                                       |      | -                         | 247                       |
| <i>Current assets</i>                                   |      |                           |                           |
| Prepayments                                             |      | 9,818                     | 9,062                     |
| Prepayment to the state budget                          |      | -                         | 3,275                     |
| Inventory                                               |      | 1,364                     | 1,772                     |
| Trade and other receivables                             | 5    | 298,783                   | 186,197                   |
| Cash and cash equivalents                               | 6    | 2,553,748                 | 6,829,026                 |
| <b>Total assets</b>                                     |      | <b>2,905,814</b>          | <b>7,029,579</b>          |
| <b>Equity</b>                                           |      |                           |                           |
| Previous periods accumulated gains                      |      | 5,840,605                 | 5,710,056                 |
| Distributions of the previous periods accumulated gains |      | (4,636,956)               | -                         |
| Retained earnings                                       |      | (988,697)                 | 130,549                   |
|                                                         |      | 214,952                   | 5,840,605                 |
| <i>Current liabilities</i>                              |      |                           |                           |
| Trade and other payables                                | 7    | 1,969,220                 | 1,184,017                 |
| Payables to the state budget                            |      | 721,642                   | -                         |
| Other short-term liabilities                            |      | -                         | 4,957                     |
|                                                         |      | 2,690,862                 | 1,188,974                 |
| <b>Total liabilities and equity</b>                     |      | <b>2,905,814</b>          | <b>7,029,579</b>          |

Director: Didier WYNROCX

Signature:

Date: 29 November 2024

# Statement of profit or loss and other comprehensive income

| In Georgian lari                    | Note | Year ended 31<br>December 2023 | Year ended 31<br>December 2022 |
|-------------------------------------|------|--------------------------------|--------------------------------|
| Revenue                             |      | 2,516,012                      | 3,181,490                      |
| Cost of sale                        | 8    | (1,857,114)                    | (2,220,621)                    |
| Gross profit                        |      | 658,898                        | 960,869                        |
| General and administrative expenses | 9    | (1,170,446)                    | (419,191)                      |
| Results from operating activities   |      | (511,548)                      | 541,678                        |
| Finance income                      |      | 227,140                        | 44,943                         |
| Other non-operating income          |      | 6,186                          | 8,874                          |
| Other non-operating expenses        |      | (142)                          | (2)                            |
| Gain from exchange differences      | 10   | (4,564)                        | (464,944)                      |
| Profit before income tax            |      | (282,928)                      | 130,549                        |
| Income tax expense                  |      | (705,769)                      | -                              |
| Profit for the year                 |      | (988,697)                      | 130,549                        |
| Total comprehensive income          |      | (988,697)                      | 130,549                        |

Director: Didier WYNROCX

Signature:

Date: 29 November 2024

# Statement of changes in equity

| In Georgian lari         | Accumulated<br>Profit / (loss) | Total            |
|--------------------------|--------------------------------|------------------|
| As of January 01, 2023   | <u>5,840,605</u>               | <u>5,840,605</u> |
| Loss for the year        | (988,697)                      | (988,697)        |
| Dividends                | (4,636,956)                    | (4,636,956)      |
| Transactions with owners | -                              | -                |
| As of December 31, 2023  | <u>214,952</u>                 | <u>214,952</u>   |

Director: Didier WYNROCX

Signature:

Date: 29 November 2024

# Statement of cash flows

In Georgian lari

|                                                      | Year ended 31<br>December 2023 | Year ended 31<br>December 2022 |
|------------------------------------------------------|--------------------------------|--------------------------------|
| Cash flows from operating activities                 |                                |                                |
| Profit/Loss for the year                             | (282,928)                      | 130,549                        |
| Previous period correction                           | -                              | 8,818                          |
| Adjustments for:                                     |                                |                                |
| Depreciation                                         | 3,237                          | 170                            |
| Finance income                                       | (227,140)                      | (44,943)                       |
| Profit tax expense                                   | (705,769)                      |                                |
| Net foreign exchange gain/(loss)                     | 4,564                          | 464,944                        |
|                                                      | <u>(1,208,036)</u>             | <u>559,538</u>                 |
| Change in trade and other receivables                | (79,615)                       | 312,823                        |
| Change in prepayments                                | (756)                          | (9,062)                        |
| Change in inventories                                | 408                            | 3,181                          |
| Change in trade and other payables                   | 806,440                        | (2,957,603)                    |
| Change in Payables to the State Budget               | 721,642                        |                                |
| Change in prepayment to the state budget             | 3,275                          | (3,275)                        |
| Change in other short-term liabilities               | (2,018)                        | 152,831                        |
| Cash generated from / (used in) operations           | <u>241,340</u>                 | <u>(1,941,567)</u>             |
| Paid interests                                       | -                              | -                              |
| Paid income tax                                      | -                              | -                              |
| Net cash from operating activities                   | <u>241,340</u>                 | <u>(1,941,567)</u>             |
| Cash flows from investing activities                 |                                |                                |
| Purchase of intangible assets                        | 247                            | (247)                          |
| Purchase of Property, Plant and Equipment            | (45,338)                       |                                |
| Sale of Property, Plant and Equipment                | 25,354                         |                                |
| Net cash used in investing activities                | <u>(45,091)</u>                | <u>(247)</u>                   |
| Cash flows from financing activities                 |                                |                                |
| Received interests                                   | 227,140                        | 44,943                         |
| Paid dividend                                        | (4,636,956)                    |                                |
| Net cash used in financing activities                | <u>(4,409,816)</u>             | <u>44,943</u>                  |
| Net increase (decrease) in cash and cash equivalents | (4,213,567)                    | (1,896,871)                    |
| Foreign exchange effect on cash                      | (61,711)                       | (1,202,602)                    |
| Cash and bank balances at the beginning of the year  | <u>6,829,026</u>               | <u>9,928,499</u>               |
| Cash and bank balances at the end of the year        | <u>2,553,748</u>               | <u>6,829,026</u>               |

Director: Didier WYNROCX

Signature:

Date: 29 November 2024

# Notes the financial statements

## 1 Nature of operations and general information

Permanent Establishment of the SAFEGE SJSC (the "Company") was incorporated on 10 September 2015 as a permanent establishment company (registration and tax ID:202471173)

The main business activity of the Company is the he performance of engineering services for the construction of water purification pipes and facilities, architectural and supervisory works.

Since from founding of the Company SAFEGE SA (ID: FR542021829) is 100% shareholder of the Company.

The average number of employees of the Company during 2023 was 10 employees (2022: 13 employees).

The registered place of the Company is Ardoni Street, Tbilisi, Georgia.

## 2 Basis of preparation

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards for small and medium-sized entities ("IFRS for SMEs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Company operates on a going concern basis.

### 2.2 Basis of measurement

The financial statements have been prepared on an accruals basis and under the historical cost.

### 2.3 Functional and presentation currency

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

These financial statements are presented in Georgian lari (unless otherwise stated).

## 3 Significant accounting policies

### 3.1 Foreign currencies

#### *Foreign currency transactions*

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the National Bank of Georgia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the National Bank of Georgia prevailing on the reporting date, which is 2.6894 Georgian lari for 1 US dollar and 2.9753 Georgian lari for 1 euro as of 31 December 2023 (31 December 2022: 2.7020 Georgian lari for 1 US dollar and 2.8844 Georgian lari for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

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

### 3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

|                                         |           |
|-----------------------------------------|-----------|
| Furniture                               | 10 years  |
| Office equipment furniture and fixtures | 4-5 years |
| Other                                   | 2-5 years |

### 3.3 Impairment of property and equipment.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of net selling price and value in use.

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. Recoverable amount is the higher of net selling price and value in use. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or 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 recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

### 3.4 Inventories

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

### 3.5 Financial instruments

Financial Instruments are initially measured at the transaction price (this includes transaction cost except in the initial measurement of financial assets and liabilities that will be measured at fair value through profit or loss) If however, the arrangement constitutes a financing transaction it is then measured at the present value of the future payments, discounted at a market related interest rate.

After initial recognition they are measured at amortized cost using the effective interest method.

### 3.6 Trade and other receivables

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms receivables are measured at amortized cost using the effective interest method, less provision for impairment. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

### 3.7 Trade and other payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. They are on normal credit terms and do not bear interest.

### 3.8 Cash and cash equivalents

Cash and bank balances comprise cash on hand and bank accounts.

### 3.9 Equity

Charter capital represents contributions by the shareholders to the Company's charter. The amount of Company's stated charter capital is determined by the Company's shareholders. The changes in the Company's stated capital shall be made only based on the decision of the Company's shareholders.

Accumulated profit/(loss) include all current and prior period retained profits.

### 3.10 Income tax

Current taxation model effective in Georgia since 1 January 2017 (the "Estonian model of corporate taxation") implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings. As a result, starting 1 January 2017 companies pay corporate income tax on earnings distribution (profit distributed to shareholders as dividends) and on individual transactions that may be considered as indirect distribution of earnings (benefits, gifts, payments, non-arm's length cross-border transactions with related parties, expenses not related to economic activities, etc).

The corporate income tax arising from distribution of dividends is recognized as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are distributed. The tax rate is 15/85 of the amount of net distribution.

According to the current concept of corporate income taxation, there are no temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Therefore, deferred tax assets and liabilities, as defined in IAS 12 Income Taxes, are not formed subsequent to 1 January 2017.

### 3.11 Revenue

Revenue comprises the fair value of the consideration received or receivable for the provided service in the ordinary course of the Company's activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts.

The Company recognizes revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Company's activities, as described below:

*Provided Service*

The main activities of the company are the construction of water treatment pipes and facilities (Rehabilitation of Wastewater Treatment Plants), architectural and Supervision works.

## 4 Property and equipment

| In Georgian lari                           | Office equipment | Furniture and fixtures | Vehicles | Intangible Assets | Total    |
|--------------------------------------------|------------------|------------------------|----------|-------------------|----------|
| Cost                                       |                  |                        |          |                   |          |
| as of 1 January 2023                       | 13,026           | 2,100                  | 25,354   | 247               | 40,726   |
| Additions                                  | -                | -                      | 45,093   | -                 | 45,093   |
| Disposals                                  | -                | -                      | (25,354) | -                 | (25,354) |
| as of 31 December 2023                     | 13,026           | 2,100                  | 45,093   | 247               | 60,465   |
| Accumulated depreciation                   |                  |                        |          |                   |          |
| as of 1 January 2023                       | 13,026           | 2,100                  | 25,354   | -                 | 40,480   |
| Depreciation 2023                          | -                | -                      | 3,238    | -                 | 3,238    |
| Accumulated depreciation of disposals 2023 | -                | -                      | (25,353) | -                 | (25,353) |
| Accumulated depreciation 31.12.2023        | 13,026           | 2,100                  | 3,239    | -                 | 18,365   |
| Carrying amount                            |                  |                        |          |                   |          |
| as of 31 December 2023                     | -                | -                      | 41,854   | 247               | 42,101   |

## 5 Trade and other receivables

| In Georgian lari                  | As of 31 December 2023 | As of 31 December 2022 |
|-----------------------------------|------------------------|------------------------|
| Trade receivables                 | 297,810                | 186,087                |
| Other receivables                 | 973                    | 110                    |
| Prepayments                       | 9,818                  | 9,062                  |
| Prepayment to the state budget    | -                      | 3,275                  |
| Total Trade and Other Receivables | 308,601                | 198,534                |

## 6 Cash and bank balances

| In Georgian lari                 | As of 31 December 2023 | As of 31 December 2022 |
|----------------------------------|------------------------|------------------------|
| Cash in Bank - National Currency | 127,886                | 28,903                 |
| Cash in Bank - Foreign Currency  | 2,425,862              | 6,800,123              |
| Total Cash and Cash Equivalents  | 2,553,748              | 6,829,026              |

Bank balances are denominated in Georgian lari.

Cash in foreign currency at the bank is presented in USD and has a denominated value of USD 637,981.39 and in EUR having a denominated value of EUR 236,282.96.

## 7 Trade and other payables

| In Georgian lari               | As of 31<br>December 2023 | As of 31<br>December 2022 |
|--------------------------------|---------------------------|---------------------------|
| Trade payables                 | 84,495                    | 56,765                    |
| Liability to Head office       | 1,884,725                 | 1,132,209                 |
| Payables to the state budget   | 721,642                   | -                         |
| Total trade and other payables | <b>1,969,220</b>          | <b>1,188,974</b>          |

## 8 Cost of sale

| In Georgian lari          | As of 31<br>December 2023 | As of 31<br>December 2022 |
|---------------------------|---------------------------|---------------------------|
| Local specialists' salary | 204,960                   | 227,360                   |
| Subcontractor expenses    | 707,676                   | 797,132                   |
| International experts     | 936,047                   | 1,168,292                 |
| Insurance                 | 8,431                     | 27,836                    |
| Laboratory service fee    | -                         | -                         |
| Total cost of sales       | <b>1,857,114</b>          | <b>2,220,621</b>          |

## 9 General and administrative expenses

| In Georgian lari                          | As of 31<br>December 2023 | As of 31<br>December 2022 |
|-------------------------------------------|---------------------------|---------------------------|
| Salary expenses                           | 1,041,000                 | 244,505.30                |
| Consulting fees                           | 62,118                    | 81,387.72                 |
| Office rent                               | 33,024                    | 40,382.67                 |
| Transportation                            | 2,650                     | 30,647.45                 |
| Other costs                               | 25,376                    | 16,415.26                 |
| Communication costs                       | 3,041                     | 5,682.88                  |
| Depreciation and amortization             | 3,237                     | 169.82                    |
| Total general and administrative expenses | <b>1,170,446</b>          | <b>419,191</b>            |

## 10 Net foreign exchange gain (loss)

| In Georgian lari                            | Year ended 31<br>December 2023 | Year ended 31<br>December 2022 |
|---------------------------------------------|--------------------------------|--------------------------------|
| Amortized cost of Financial Assets          | (25,801)                       | (1,132,736)                    |
| Amortized cost of Financial Liabilities     | 21,237                         | 667,792                        |
| Total gain/(loss) from exchange differences | (4,564)                        | (464,944)                      |

## 11 Subsequent events

After the reporting period, there were no such events that need to be reflected in the explanatory notes to the financial statements.

## 12 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 12.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that 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 and equipment*

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

## 13 Related parties

The Company's related parties include its parent company, SAFEGE SA (ID: FR542021829), registered in France.

Since from founding of the Company is controlled by SAFEGE SA (ID: FR542021829), which is 100% shareholder of the Company.

| In Georgian lari         | As of 31<br>December 2023 | As of 31<br>December 2022 |
|--------------------------|---------------------------|---------------------------|
| Liability to Head Office | (1,884,725)               | (1,132,208)               |

During the reporting year the parent company provides management and disbursement services to the Permanent Establishment and these operations are accounted based on debit notes.

## 14 Dividends

In December 2023 dividends amounting to Georgian lari 4,636,956 have been paid to the parent Company. No dividends have been declared in previous periods.