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WISSOL

WISSOL PETROLEUM GEORGIA GROUP

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023

Together with the Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of JSC Wissol Petroleum Georgia

Qualified Opinion

We have audited the consolidated and separate financial statements of JSC Wissol Petroleum Georgia (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2023, and the consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for possible effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying consolidated and separate financial statements present fairly, in all material respects, consolidated and separate financial position of the Group/Company as at 31 December 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and requirements of the Law of Georgia "On Accounting, Reporting and Auditing".

Basis for Qualified Opinion

Our audit opinion was modified on the consolidated and separate financial statements for the period ended 31 December 2022, because there was a notable upsurge in the real estate market, impacting the significant increase in the fair values of land plots held by the Group/Company under revaluation model, which was not reflected in the consolidated and separate financial statements as it is required by IFRSs. Since the opening balances affect the determination of results for the current period, we were unable to ascertain whether any adjustments to the results of operations and the opening equity balance for 2023 are necessary. Therefore, our opinion on the current period's consolidated and separate financial statements is modified too because of the possible effect of this matter on the current period's operation results.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group/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 these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Company's/Group'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/Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's/ Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and 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/Group'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/Group'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 consolidated and 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/Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company/Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

The engagement partner responsible for the audit resulting in this independent auditor's report is:



Ivane Zhuzhunashvili (Registration number SARAS-A- 720718)

For and on behalf of BDO Audit LLC

Tbilisi, Georgia

20 August, 2024



Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements

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For and on behalf of BDO Audit LLC

Tbilisi, Georgia

20 August, 2024

WISSOL PETROLEUM GEORGIA GROUP

CONSOLIDATED AND SEPARATE STATEMENTS OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2023

(In Thousands GEL, unless otherwise indicated)



	Notes	Group		Company	
		2023	2022	2023	2022
Revenue	5	642,156	681,440	622,895	663,853
Cost of sales	6	(557,083)	(624,766)	(541,087)	(610,542)
Gross profit		85,073	56,674	81,808	53,311
Selling and distribution costs	7	(33,591)	(29,325)	(31,919)	(29,748)
General and administrative expenses	8	(29,283)	(25,533)	(28,523)	(22,773)
Other income	9	8,699	8,167	9,076	11,307
Other operating expenses		(2,023)	(3,292)	(1,467)	(1,890)
Net gain/(loss) from non-current assets disposal	10	(10,707)	40,478	(10,707)	40,478
Impairment charge/(reversal) of financial assets		5,975	1,912	5,908	(752)
Net gain from non-current assets revaluation	13, 14	19,197	-	19,197	-
Impairment of investments in other companies		-	-	-	(2,853)
Foreign exchange gain/(loss), net	11	(884)	13,248	(717)	13,125
Finance income		996	457	1,041	469
Finance cost	12	(8,594)	(9,287)	(8,705)	(9,508)
Profit before income tax		34,858	53,499	34,992	51,166
Income tax expense		(52)	(52)	-	-
Total profit for the year		34,806	53,447	34,992	51,166
Other comprehensive income	13	49,234	-	49,234	-
Total comprehensive income		84,040	53,447	84,226	51,166
Total profit attributable to:					
Owners of the Group		34,515	53,156		
Non-Controlling Interest		291	291		
Total Comprehensive income for the year attributable to:					
Owners of the Group		83,749	53,156		
Non-Controlling Interests		291	291		

The consolidated and separate financial statements for the year ended 31 December 2023 were approved on behalf of the management on 20 August 2024 by:

General Director _____ Vasil Khorava

Financial Director _____ Giorgi Tsimakuridze

Notes on pages 10-33 are the integral part of these consolidated and separate financial statements.

WISSOL PETROLEUM GEORGIA GROUP

CONSOLIDATED AND SEPARATE STATEMENTS OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2023

(In Thousands GEL, unless otherwise indicated)



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WISSOL PETROLEUM GEORGIA GROUP

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

(In Thousands GEL, unless otherwise indicated)



	Notes	Group		Company	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
ASSETS					
Non-current assets					
Property, plant and equipment	13	160,528	113,440	158,371	111,738
Investment property	14	60,674	68,202	60,674	68,202
Right of use asset	15	11,593	9,811	12,525	9,543
Investment in subsidiaries	16	-	-	15,706	16,209
Investment in associates	16	826	826	620	620
Loans granted		-	3,661	-	3,661
Other assets		1,874	1,328	1,787	1,312
		<u>235,495</u>	<u>197,268</u>	<u>249,683</u>	<u>211,285</u>
Current assets					
Inventory	17	57,266	49,814	50,460	42,631
Taxes recoverable and prepaid		-	919	-	991
Trade and other accounts receivable	18	18,745	15,980	16,877	14,221
Prepayments to suppliers		5,259	6,167	4,272	5,276
Loans granted		735	2	732	869
Cash and cash equivalents	19	29,368	15,423	28,357	15,074
		<u>111,373</u>	<u>88,305</u>	<u>100,698</u>	<u>79,062</u>
Total assets		<u><u>346,868</u></u>	<u><u>285,573</u></u>	<u><u>350,381</u></u>	<u><u>290,347</u></u>

Notes on pages 10-33 are the integral part of these consolidated and separate financial statements.

WISSOL PETROLEUM GEORGIA GROUP

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

(In Thousands GEL, unless otherwise indicated)



	Notes	Group		Company	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
OWNER'S EQUITY AND LIABILITIES					
Owner's equity					
Share capital	20	17,212	22,134	17,212	22,134
Property revaluation reserve		103,383	51,084	103,116	50,817
Retained earnings		82,034	50,584	88,930	57,003
Total owner's equity		202,629	123,802	209,258	129,954
Non-controlling interest		582	585		
Total equity		203,211	124,387		
Non-current liabilities					
Borrowings	21	34,442	-	33,696	-
Lease liability	15	10,312	10,538	12,456	11,541
Other lease payables		3,325	3,676	3,325	3,676
Deferred revenue		1,181	1,300	1,181	1,301
		49,260	15,514	50,658	16,518
Current liabilities					
Borrowings	21	51,861	79,043	50,113	78,468
Trade and other accounts payable	22	21,174	47,154	19,277	46,115
Lease liability	15	1,406	1,235	1,250	1,135
Advance received	23	16,340	16,337	16,341	16,281
Tax liabilities, net		2,566	-	2,469	-
Deferred revenue		120	120	120	120
Other lease payables		334	310	334	310
Other liabilities		596	1,473	561	1,446
		94,397	145,672	90,465	143,875
Total owner's equity and liabilities		346,868	285,573	350,381	290,347

Notes on pages 10-33 are the integral part of these consolidated and separate financial statements.

WISSOL PETROLEUM GEORGIA GROUP

CONSOLIDATED AND SEPARATE STATEMENTS ON CHANGES IN EQUITY

For the year ended 31 December 2023

(In Thousands GEL, unless otherwise indicated)



Group	Share Capital	Property Revaluation Reserve	Retained Earnings/ (Accumulated losses) attributable to equity holders of the parent	Total	Non-controlling interest	Total equity
31 December 2021	22,692	60,110	(11,598)	71,204	593	71,797
Total comprehensive income	-	-	53,156	53,156	291	53,447
Own shares acquired in the year	(558)	-	-	(558)	-	(558)
Revaluation reserve change for disposal assets	-	(9,026)	9,026	-	-	-
Dividends paid *	-	-	-	-	(299)	(299)
31 December 2022	22,134	51,084	50,584	123,802	585	124,387
Total comprehensive income	-	49,234	34,515	83,749	291	84,040
Own shares acquired in the year	(4,922)	-	-	(4,922)	-	(4,922)
Revaluation reserve change for disposal assets	-	3,065	(3,065)	-	-	-
Dividends paid *	-	-	-	-	(294)	(294)
31 December 2023	17,212	103,383	82,034	202,629	582	203,211

* Wissol Petroleum Georgia JSC has not declared any dividends for the year ended 31 December 2023 and 2022, while one of its subsidiaries Wissol Petroleum Georgia Vake LLC paid dividends of GEL 294 thousand and GEL 299 thousand respectively to their non-controlling shareholders.

Company	Share Capital	Property Revaluation Reserve	Retained Earnings/ (Accumulated losses) attributable to equity holders of the parent	Total
31 December 2021	22,692	59,843	(3,189)	79,346
Total comprehensive income	-	-	51,166	51,166
Own shares acquired in the year	(558)	-	-	(558)
Revaluation reserve change for disposal assets	-	(9,026)	9,026	-
31 December 2022	22,134	50,817	57,003	129,954
Total comprehensive income	-	49,234	34,992	84,226
Own shares acquired in the year	(4,922)	-	-	(4,922)
Revaluation reserve change for disposal assets	-	3,065	(3,065)	-
31 December 2023	17,212	103,116	88,930	209,258

Notes on pages 10-33 are the integral part of these consolidated and separate financial statements.

WISSOL PETROLEUM GEORGIA GROUP
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 December 2023
(In Thousands GEL, unless otherwise indicated)



	Notes	Group		Company	
		2023	2022	2023	2022
Cash flows from operating activities					
Profit for the year		34,858	53,499	34,992	51,166
Adjustments for:					
Depreciation and amortization expense		7,078	7,551	7,198	7,551
Impairment (gain)/losses on financial assets		(5,975)	(1,912)	(5,908)	752
Impairment of investments in other companies		-	-	-	2,853
Net gain from non-current assets revaluation		(19,197)	-	(19,197)	-
Gain on lease modifications and termination	15	(2,024)	(1,059)	(2,099)	(990)
(Gain)/Loss on disposal of non-current assets, net	10	10,707	(40,478)	10,707	(40,478)
Foreign exchange loss/(gain), net	11	884	(13,248)	717	(13,125)
Finance income		(996)	(457)	(1,041)	(469)
Finance cost	12	8,594	9,287	8,705	9,508
Cash inflows from operating activities before changes in operating assets and liabilities		33,929	13,183	34,074	16,768
(Increase)/decrease in trade and other receivables		3,810	(4,178)	3,892	(6,482)
(Increase)/decrease in prepayments to suppliers		908	(2,614)	1,004	(3,606)
Increase in inventory		(5,253)	(1,560)	(5,630)	(1,407)
Increase/(Decrease) in tax liabilities, net		3,433	(2,704)	3,460	(2,509)
Increase/(Decrease) in trade and other payables		(22,523)	15,160	(25,536)	15,644
Increase in advances received		3	1,743	60	1,667
Decrease in deferred revenue		(119)	(120)	(120)	(119)
Increase/(Decrease) in other current liabilities		(877)	1,220	(885)	1,228
Cash inflow from operating activities		13,311	20,130	10,319	21,184
Interest paid		(8,650)	(9,466)	(8,747)	(9,651)
Net cash inflow from operating activities		4,661	10,664	1,572	11,533
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		21,578	1,932	21,574	1,921
Purchase of property, plant and equipment		(11,404)	(18,000)	(10,747)	(17,607)
Cash disbursed for loans		(2,351)	(8,318)	(2,351)	(10,118)
Principal Received from Disbursed Loan		5,090	19,101	5,961	7,281
Purchases of other assets		(654)	(161)	(753)	(134)
Interest received		700	91	745	83
Decrease in charter capital of investment in subsidiary		-	-	506	9,681
Income received from investments in associate	9	30	34	-	-
Net cash inflow/(outflow) from investing activities		12,989	(5,321)	14,933	(8,893)
Cash flows from financial activities					
Proceeds from borrowings	21	153,543	183,589	151,126	183,606
Repayment of borrowings	21	(149,628)	(173,244)	(146,624)	(171,117)
Repayment of principal of leases		(998)	(1,176)	(1,493)	(1,111)
Disbursement from purchase of own shares		(4,922)	(558)	(4,922)	(558)
Dividends paid to non-controlling interest		(294)	(299)	-	-
Net cash inflow/(outflow) from financing activities		(2,299)	8,312	(1,913)	10,820
Net increase in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year	19	15,423	2,802	15,074	2,467
Effect of changes in foreign exchange rate	11	(1,406)	(1,034)	(1,311)	(853)
Cash and cash equivalents at the end of the year	19	29,368	15,423	28,357	15,074

Notes on pages 10-33 are the integral part of these consolidated and separate financial statements.

1. GENERAL INFORMATION

JSC Wissol Petroleum Georgia (the "Company") is a closed joint stock company, which was established in Georgia in 2000 as LLC Canargo Standard Oil Products with the objective to create a premier chain of branded petrol stations with convenience stores and car wash centers in Georgia. The company's identification code is: 202161098, legal address is Tbilisi, Vake district, Chavchavadze ave., №74b.

The General Director of the Group/Company is Vasil Khorava.

As at the end of 2023 the Company operated 119 stations: 118 petrol stations (79 own, 38 rented and 1 rented from a subsidiary), out of which 10 are combined petrol and gas stations and 1 standalone gas stations (own).

The Group/Company operates in both the retail and wholesale industry. The Company is the parent company of the following subsidiaries and associates:

Name	Country of operation	The Company's ownership interest		Type of operation
		2023	2022	
Wissol Auto Express LLC (ID: 404878806)	Georgia	100%	100%	Auto consumables
Wissol-Kochebi LLC (ID: 205256104)	Georgia	100%	100%	Rugby team (Dormant)
Ertoba 2018 LLC (ID: 405255753)	Georgia	100%	100%	Loans disbursed to related parties
LLC Canargo Standard Oil Products-Chugureti (ID: 202200000)	Georgia	51%	51%	Dormant petrol station
Wissol Petroleum Georgia-Vake LLC (ID: 204986701)	Georgia	50%	50%	Operating petrol station
Jachvis Khidi LLC (ID: 212670830)	Georgia	40%	40%	Operating petrol station
Wissol Group LLC (ID: 404977085)	Georgia	33.5%	33.5%	Advertising service

As at 31 December 2023 and 2022 the Group's owners and their respective percentage of direct interests were as follows:

Principal shareholders	Country of operation			Ultimate controlling parties
		2023	2022	
Helvetsia Petroleum Holding B.V.	Malta	25.00%	25.00%	George Ramishvili - 62% Alex Topuria - 28.5% David Borger - 9.5%
Global Investors Limited	Malta	61.96%	61.96%	Samson Pkhakadze - 50% Levan Pkhakadze - 50%
Standard Oil Holding LLC	Georgia	10.86%	10.86%	Nugzar Abramishvili - 58% (76% - in 2022) Levan Pkhakadze - 42% (24% - in 2022)
Levan Pkhakadze	Georgia	2.18%	2.18%	
		100%	100%	

As at 31 December 2023 and 2022 effective ownership shares in the Group held by the ultimate controlling parties were as follows:

Ultimate controlling parties	2023	2022
Levan Pkhakadze	37.77%	35.77%
Samson Pkhakadze	30.98%	30.98%
George Ramishvili	15.50%	15.50%
Nugzar Abramishvili	6.25%	8.25%
Alex Topuria	7.12%	7.12%
David Borger	2.38%	2.38%
	100.00%	100.00%

Effective voting rights of owners did not differ from their effective ownership rights.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of consolidated and separate financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated and separate financial statements are disclosed in Note 3.

b) Basis of measurement

The consolidated and separate financial statements are presented in thousands of Georgian Lari ("GEL"), unless otherwise indicated.

The consolidated and separate financial statements have been prepared under the historical cost convention, except of certain classes of property, plant and equipment and investment property at revalued amounts according to International Accounting Standard ("IAS") 16 "Property, Plant and Equipment" and "IAS 40 Investment Property".

The reporting period of the group/company covers the calendar year from 1 January to 31 December.

c) Going concern

These consolidated and separate financial statements have been prepared on the assumption that the Group/Company will continue as a going concern in the foreseeable future, which presumes that the Group/Company will be able to realize its assets and discharge its liabilities in the normal course of business. In making this judgement, Management considered the Group's/Company's financial position, current intentions, profitability of operations and access to financial resources and analysed the impact of the situation in the financial markets on the operations of the Group/Company.

Adoption of new IFRSs

A) Standards and Amendments Mandatorily Effective from 1 January 2023

IFRS 17 Insurance Contracts. IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:

- Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract
- Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and
- Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the period in profit or loss, or to recognise some in other comprehensive income. Subsequent to the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.

Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2). In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.

Definition of Accounting Estimates (Amendment to IAS 8). In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

(In Thousands GEL, unless otherwise indicated)

2. BASIS OF PREPARATION (CONTINUED)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

B) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

Standards and Amendments Mandatorily Effective from 1 January 2024

Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7). On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (the Amendments). These Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the presentation requirements for liabilities and associated cash flows arising out of supply chain financing arrangements and related disclosures. In December 2020, the Committee published an Agenda Decision Supply Chain Financing Arrangements—Reverse Factoring that addressed this submission based on the requirements in IFRS Accounting Standards existing at that time. During this process, the feedback from stakeholders indicated limitations of the then existing requirements to address important information needs of users to understand the effects of supplier finance arrangements on an entity's financial statements and to compare one entity with another. In response to this feedback, the IASB undertook a narrow-scope standard setting, leading to the Amendments. The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.

Lease Liability in a Sale and Leaseback (Amendment to IFRS 16). The IFRS Interpretations Committee issued an agenda decision in June 2020 – Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

Classification of Liabilities as Current or Non-Current (Amendment to IAS 1). The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.

Amendment - Non-current Liabilities with Covenants (Amendment to IAS 1). Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current

Standards and Amendments Mandatorily Effective from 1 January 2025

Lack of Exchangeability (Amendment to IAS 21) On 15 August 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments). The Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the determination of the exchange rate when there is a long-term lack of exchangeability. IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice. The Committee recommended that the IASB develop narrow-scope amendments to IAS 21 to address this issue. After further deliberations, the IASB issued an exposure draft of the proposed amendments to IAS 21 in April 2021 and the final amendments were issued in August 2023. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not.

The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

2. BASIS OF PREPARATION (CONTINUED)

The Group/Company is currently assessing the possible impact of the new standard on its consolidated and separate financial statements.

Other

The Group/Company do not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the consolidated and separate financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group/Company 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 recognized 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. 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; investment properties and intangible assets

The estimation of the useful life of an item of property and equipment; investment properties and intangible assets is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates. During the reporting period the Group/Company did not change the useful life of an item of property and equipment, investment properties and intangible assets.

Revaluation of property, plant and equipment and investment property

Certain groups of property, plant and equipment (land and buildings) are measured at revalued amounts, while investment property is carried at fair value. The date of the latest appraisal was 31 December 2023. The approaches used in valuation were both the market approach and the cost approach methods.

Valuations are conducted with sufficient frequency to ensure that the carrying amount of assets does not significantly differ from their fair value. Management continually monitors market data and assesses any material changes in the fair value of assets.

Leases

Determination whether lease is a short term or long term sometimes is a matter of management judgment based on experience with similar agreements and lessors, specifically management took into consideration the options to extend the lease agreements when management is reasonably certain to exercise an option to extend or not to terminate a lease. When there is no interest rate implicit in the lease, an incremental borrowing rate is used by the management.

Impairment of financial assets

The Group/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 consolidated and separate financial statements.

The Group/Company recognise 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 expected 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 recognized 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).

(In Thousands GEL, unless otherwise indicated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The management have concluded that it would require cost and effort to determine the credit risk of each loans and receivables on their respective dates of initial recognition. The Group/Company defined full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3). Loans granted and receivables are allocated to stage 2 and stage 3.

For collectively assessed loans and receivables the Group/Company apply a simplified approach in calculating ECLs. Therefore, the Group/Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group/Company have 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. Collectively are assessed trade and other receivables.

For individually assessed loans and receivables the Group/Company estimates the provision amount based on the past experience with the customer, financial condition for the year end and repayment track subsequent to the year. In case the exposure of certain counterparty is not provisioned on individual basis or ECL determined with collective assessment is more than individually assessed, the Group/Company use collective assessment for such exposures.

The Group/Company consider a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group/Company may also consider a financial asset to be in default when internal or external information indicates that the Group/Company are 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.

Impairment of non-financial assets

The Group/Company periodically evaluates the recoverability of the carrying amount of its assets. Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, the Group/Company estimates the recoverable amount of the asset. This requires the Group/Company to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. In turn, these forecasts are uncertain in that they require assumptions about demand for products and future market conditions. Significant and unanticipated changes to these assumptions and estimates included within the impairment reviews could result in significantly different results than those recorded in the financial statements.

Provisions and Contingent Liabilities

A provision is recognized when there is a current liability - a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of such liabilities can be reliably measured. Contingent assets are not reflected in the consolidated and separate financial statements, but the information on them is disclosed when inflow of economic benefits is possible. If economic benefits are sure to occur, an asset and related income are recognized in the consolidated and separate financial statements for the period, when the evaluation change occurred.

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The activities of the Group/Company are exposed to various risks and risk management is a critical component of it. Risk is inherent in Group's/Company's activities, but it is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls. Everyone within the Group/Company is accountable for the risk exposures relating to his or her responsibilities. The main financial risks inherent to the operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Group's/Company's risk management policies in relation to those risks is disclosed below.

Principal financial instruments

The principal financial instruments used by the Group/Company, from which financial instrument risk arises, can be presented as follows:

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets				
Trade and other receivables	18,745	15,980	16,877	14,221
Loans granted	735	3,663	732	4,530
Cash and cash equivalents	29,368	15,423	28,357	15,074
	<u>48,848</u>	<u>35,066</u>	<u>45,966</u>	<u>33,825</u>

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial liabilities				
Borrowings	86,303	79,043	83,809	78,468
Trade and other payables	21,174	47,154	19,277	46,115
Lease liabilities	11,718	11,773	13,706	12,676
Other lease payables	3,659	3,986	3,659	3,986
Tax liabilities, net	2,566	-	2,469	-
Other Current Liabilities	596	1,473	561	1,446
	<u>126,016</u>	<u>143,429</u>	<u>123,481</u>	<u>142,691</u>
Deficit	<u>(77,168)</u>	<u>(108,363)</u>	<u>(77,515)</u>	<u>(108,866)</u>

Fair value measurement

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 Group/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.

A portfolio of financial assets and liabilities that are not traded in an active market is measured at the fair value using valuation technics. The selected measurement method uses observable market data, minimally based on non-market data and considers all the factors that market participants have taken into consideration when determining price. The best evidence of the fair value of a certain financial instrument at initial recognition is the price of the transaction - the fair value of the consideration paid or received.

If a Group/Company decides that the fair value at initial recognition differs from the transaction price and the fair value is not supported by the quoted price on the active markets of the similar assets or liabilities, also, its value is not based on the measurement technics that uses only observable market data, in such cases the financial instruments are initially measured at fair value, adjusted for the difference between this value and the transaction price. Any difference between this value and the initial value obtained through the measurement method will be later recognized in profit or loss during the life of the instrument, but no later than the assessment is fully based on the observable market data or when the transaction is closed.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

Level 1: are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes instruments that are evaluated using the following data: quoted market prices at active markets for similar financial instruments; Quoted prices for similar instruments that are less active; Or other methods of evaluation, within which all the important data is directly or indirectly observable, due to market data;

Level 3: measurements are valuations not based on solely observable market data. This category includes all the instruments within which the evaluation methods are not based on the observable data and unobservable inputs have a significant impact on the valuation of the instrument. This category includes instruments that are evaluated based on quoted prices for similar instruments within which significant adjustments or assumptions are required to reflect differences between instruments.

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 trade receivables and other financial assets approximate fair values due to their short-term maturities. 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 Group/Company considers that the carrying amounts of financial liabilities recorded in the separate/consolidated financial statements approximate their fair values.

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

The fair value of cash and cash equivalents was determined using level 1 measurement, while fair value of borrowings was determined using level 2 measurement. Fair values of all other financial assets and liabilities were determined using level 3 measurement. The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique for which comparable market prices have been used. The fair value of fixed and floating rate instruments that are not quoted in an active market was estimated not to be materially different from their carrying amount.

The Group/Company is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk
 - Interest rate risk
 - Currency risk

In common with all other businesses, the Group/Company is exposed to risks that arise from its use of financial instruments. This note describes the Group's/Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated and separate financial statements.

General objectives, policies and processes

The Management has overall responsibility for the determination of the Group's/Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's/Company's finance function.

Credit risk

Credit risk is the risk of financial loss to the Group/Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group/Company's receivables from customers and debtors. The Group/Company's exposure to credit risk is influenced mainly by the characteristics of each customer. Credit risk also arises from cash and cash equivalents.

The Group/Company's Management has established a credit policy under which each customer is analyzed separately for creditworthiness before the Group/Company's standard payment and delivery terms and conditions are offered. The Group/Company conducts credit quality analysis of financial assets as part of its credit risk management policy.

The Group/Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The collective loss allowance is determined based on ageing analysis and overdue status for each customer separately.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk would be as follows:

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets				
Trade and other receivables	18,745	15,980	16,877	14,221
Loans granted	735	3,663	732	4,530
Cash and cash equivalents	29,368	15,423	28,357	15,074
	<u>48,848</u>	<u>35,066</u>	<u>45,966</u>	<u>33,825</u>

Additional information about the aging of Trade and other Receivables see in Note 18.

Liquidity risk

Liquidity risk arises from the Group's/Company's management of working capital. It is the risk that the Group/Company will encounter difficulties in meeting its current financial obligations as they fall due that may affect adversely the Group's/Company's on-going operations and performance. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group/Company controls these types of risks according to the maturity analysis and determines the Group's/Company's strategy for the future financial period. To manage liquidity risk, the Group/Company regularly monitors future cash flows, which is the asset/liability management process. The maturity analysis of the financial liabilities presented is based on the remaining contractual terms.

For the year ended 31 December 2023

(In Thousands GEL, unless otherwise indicated)

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

Liquidity risk would be presented as follows:

	Group			
	Up to 1 year	1 year to 5 years	Over 5 years	Total
Non-Interest-bearing financial liabilities:	24,336	-	-	24,336
Interest-bearing financial liabilities:	54,711	37,338	30,341	122,390
Total financial liabilities 2023	79,047	37,338	30,341	146,726
Non-Interest-bearing financial liabilities:	48,627	-	-	48,627
Interest-bearing financial liabilities:	56,538	42,880	12,367	111,785
Total financial liabilities 2022	105,165	42,880	12,367	160,412

	Company			
	Up to 1 year	1 year to 5 years	Over 5 years	Total
Non-Interest-bearing financial liabilities:	22,307	-	-	22,307
Interest-bearing financial liabilities:	53,389	39,082	30,073	122,544
Total financial liabilities 2023	75,696	39,082	30,073	144,851
Non-Interest-bearing financial liabilities:	47,561	-	-	47,561
Interest-bearing financial liabilities:	55,963	42,880	12,367	111,210
Total financial liabilities 2022	103,524	42,880	12,367	158,771

Market risk

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors. Market risk arises from the Group's/Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk) and interest rates (interest rate risk).

Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group/Company. The Group/Company does not use any derivatives to manage interest rate risk exposure. The Group/Company is exposed to interest rate risk as entities borrow funds and have financial lease liabilities.

Currency risk

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

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

	Group			
	2023		2022	
	EUR	USD	EUR	USD
Financial assets				
Trade and other receivables	34	1,544	197	482
Loans granted	-	732	-	1,087
Cash and cash equivalents	174	24,308	477	5,436
	<u>208</u>	<u>26,584</u>	<u>197</u>	<u>482</u>
Financial liabilities				
Borrowings	52,849	33,454	404	35,898
Trade and other payables	673	14,571	1,046	15,372
Lease liabilities	-	10,039	-	8,580
Other lease payables	-	3,659	-	3,986
	<u>53,522</u>	<u>61,723</u>	<u>1,450</u>	<u>63,836</u>
Open currency position	<u>(53,314)</u>	<u>(35,139)</u>	<u>(776)</u>	<u>(56,831)</u>

For the year ended 31 December 2023

(In Thousands GEL, unless otherwise indicated)

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

	Company			
	2023		2022	
	EUR	USD	EUR	USD
Financial assets				
Trade and other receivables	-	773	-	-
Loans granted	-	732	-	1,087
Cash and cash equivalents	173	24,293	477	5,088
	<u>173</u>	<u>25,798</u>	<u>477</u>	<u>6,175</u>
Financial liabilities				
Borrowings	51,165	32,644	404	35,322
Trade and other Payables	305	13,783	838	15,240
Lease liabilities	-	10,039	-	8,580
Other lease payables	-	3,659	-	3,986
	<u>51,470</u>	<u>60,125</u>	<u>1,242</u>	<u>63,128</u>
Open currency position	<u>(51,297)</u>	<u>(34,327)</u>	<u>(765)</u>	<u>(56,953)</u>

The following table details the Group's/Company's sensitivity to a 20% increase and decrease in the USD and EUR against GEL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency rates.

Impact on profit before tax and equity based on asset values is presented in the table below:

	USD/ GEL + 20%	USD/ GEL - 20%	EUR/ GEL + 20%	EUR/ GEL - 20%
Group				
Profit/(loss) 2023	(7,028)	7,028	(10,663)	10,663
Profit/(loss) 2022	(11,436)	11,436	(155)	155
Company				
Profit/(loss) 2023	(6,865)	6,865	(10,259)	10,259
Profit/(loss) 2022	(11,391)	11,391	(153)	153

Capital risk management

The Group/Company manages its capital to ensure that entities of the Group/Company 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 Group/Company reviews the capital structure on a regular basis. Based on the results of this review, the Group/Company takes steps to balance its overall capital structure through the payment of dividends, new share issues as well as taking of new loans and borrowings or redemption of existing loans and borrowings.

For the year ended 31 December 2023

(In Thousands GEL, unless otherwise indicated)

5. REVENUE

	Group		Company	
	2023	2022	2023	2022
Revenue from sales of fuel	609,825	649,119	609,984	649,273
Revenue from sales of gas	12,770	13,998	12,770	13,998
Other revenue	19,561	18,323	141	582
	<u>642,156</u>	<u>681,440</u>	<u>622,895</u>	<u>663,853</u>

6. COST OF SALES

	Group		Company	
	2023	2022	2023	2022
Cost of fuel	(533,240)	(600,469)	(533,240)	(600,777)
Cost of gas	(7,762)	(9,240)	(7,762)	(9,240)
Other	(16,081)	(15,057)	(85)	(525)
	<u>(557,083)</u>	<u>(624,766)</u>	<u>(541,087)</u>	<u>(610,542)</u>

7. SELLING AND DISTRIBUTION COSTS

	Group		Company	
	2023	2022	2023	2022
Payroll and related charges	(9,007)	(6,832)	(7,881)	(6,832)
Depreciation and amortization	(6,935)	(7,442)	(7,055)	(7,442)
Utilities	(3,748)	(3,734)	(3,748)	(3,734)
Storage	(3,080)	(1,101)	(3,080)	(1,101)
Operating lease expenses	(2,835)	(1,722)	(2,847)	(1,964)
Costs related to transportation	(2,264)	(2,709)	(2,008)	(2,709)
Repair and maintenance	(1,487)	(1,303)	(1,487)	(1,303)
Advertising expenses	(1,457)	(2,046)	(1,035)	(2,046)
Security expenses	(240)	(247)	(240)	(247)
Other	(2,538)	(2,189)	(2,538)	(2,320)
	<u>(33,591)</u>	<u>(29,325)</u>	<u>(31,919)</u>	<u>(29,748)</u>

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Group		Company	
	2023	2022	2023	2022
Payroll and related charges	(22,340)	(18,797)	(21,608)	(16,951)
Bank charges	(2,380)	(2,024)	(2,308)	(1,966)
Taxes other than on income	(922)	(1,057)	(914)	(1,052)
Factoring commission	(752)	(128)	(752)	(128)
Repair and maintenance	(462)	(414)	(462)	(447)
Business trip expenses	(400)	(316)	(377)	(272)
Professional services	(390)	(422)	(358)	(411)
Utilities	(285)	(307)	(258)	(259)
Office Rent	(143)	(321)	(143)	(109)
Other	(1,209)	(1,747)	(1,343)	(1,178)
	<u>(29,283)</u>	<u>(25,533)</u>	<u>(28,523)</u>	<u>(22,773)</u>

9. OTHER INCOME

	Group		Company	
	2023	2022	2023	2022
Operating lease income	4,588	4,780	4,841	4,983
Gain on derecognition of lease liabilities	2,024	1,059	2,099	990
Income from installation services	323	283	323	283
Income from other inventory sales	311	574	311	574
Transportation service	271	230	271	230
Income from plastic cards sales	258	224	258	224
Dividend income	-	-	324	3,422
Investment in associates	30	34	-	-
Other	894	983	649	601
	<u>8,699</u>	<u>8,167</u>	<u>9,076</u>	<u>11,307</u>

For the year ended 31 December 2023

(In Thousands GEL, unless otherwise indicated)

10. NET GAIN/(LOSS) FROM NON-CURRENT ASSETS DISPOSAL

	Group		Company	
	2023	2022	2023	2022
Disposals	(32,222)	(8,438)	(32,222)	(8,438)
Property and equipment	(2,500)	-	(2,500)	-
Investment property	(29,722)	(8,438)	(29,722)	(8,438)
Income from disposals	21,515	48,916	21,515	48,916
Property and equipment	3,977	-	3,977	-
Investment property	17,538	48,916	17,538	48,916
	<u>(10,707)</u>	<u>40,478</u>	<u>(10,707)</u>	<u>40,478</u>

In July 2022, the Group/Company entered into a barter operation, exchanging its investment property, comprising land and buildings valued at GEL 12,491, for Government-owned land and buildings. The fair value of the assets received was GEL 50,240. A part of these assets, with a total value of GEL 29,722, was sold in 2023.

11. FOREIGN EXCHANGE GAIN/(LOSS), NET

	Group		Company	
	2023	2022	2023	2022
Effect on cash and cash equivalents	(1,406)	(1,034)	(1,311)	(853)
Effect on other financial instruments	522	14,282	594	13,978
	<u>(884)</u>	<u>13,248</u>	<u>(717)</u>	<u>13,125</u>

12. FINANCE COST

	Group		Company	
	2023	2022	2023	2022
Finance cost on borrowings	(7,123)	(7,550)	(6,975)	(7,617)
Finance cost on lease	(1,156)	(1,361)	(1,415)	(1,515)
Finance cost on other lease	(315)	(376)	(315)	(376)
	<u>(8,594)</u>	<u>(9,287)</u>	<u>(8,705)</u>	<u>(9,508)</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Group					Total
	Land and buildings	Machinery and equipment	Vehicles	Office equipment	Other fixed assets	
Historical cost						
31 December 2021	110,947	15,770	6,067	13,621	8,352	154,757
Additions	14,879	610	1,461	324	3,105	20,379
Disposals	(18,802)	(2,080)	(424)	(292)	(48)	(21,646)
Transfer to Investment Property	(4,643)	-	-	-	-	(4,643)
31 December 2022	102,381	14,300	7,104	13,653	11,409	148,847
Additions	4,188	954	1,432	1,102	154	7,830
Disposals	(2,025)	(390)	(1,056)	-	-	(3,471)
Revaluation effect	42,548	-	-	-	-	42,548
31 December 2023	147,092	14,864	7,480	14,755	11,563	195,754
Accumulated depreciation						
31 December 2021	(3,996)	(12,159)	(3,242)	(10,092)	(4,539)	(34,028)
Charge for the year	(3,012)	(392)	(794)	(857)	(1,104)	(6,159)
Disposals	3,299	916	242	276	47	4,780
31 December 2022	(3,709)	(11,635)	(3,794)	(10,673)	(5,596)	(35,407)
Charge for the year	(1,400)	(1,432)	(859)	(1,218)	(878)	(5,787)
Disposals	49	353	506	-	-	908
Revaluation effect	5,060	-	-	-	-	5,060
31 December 2023	-	(12,714)	(4,147)	(11,891)	(6,474)	(35,226)
Net carrying amounts						
31 December 2022	98,672	2,665	3,310	2,980	5,813	113,440
31 December 2023	147,092	2,150	3,333	2,864	5,089	160,528

As at 31 December 2023 and 2022 the Group/Company has pledged it's all property, plant and equipment to secure bank borrowings (see note 21).

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company					Total
	Land and buildings	Machinery and equipment	Vehicles	Office equipment	Other fixed assets	
Historical cost						
31 December 2021	109,942	15,704	5,896	13,122	7,677	152,341
Additions	14,879	551	1,449	102	2,991	19,972
Disposals	(18,802)	(2,061)	(424)	(49)	-	(21,336)
Transfer to Investment Property	(4,643)	-	-	-	-	(4,643)
31 December 2022	101,376	14,194	6,921	13,175	10,668	146,334
Additions	4,188	924	1,297	733	38	7,180
Disposals	(1,999)	(390)	(1,056)	-	-	(3,445)
Revaluation effect	42,544	-	-	-	-	42,544
31 December 2023	146,109	14,728	7,162	13,908	10,706	192,613
Accumulated depreciation						
31 December 2021	(3,978)	(12,024)	(3,219)	(10,022)	(3,815)	(33,058)
Charge for the year	(3,010)	(363)	(764)	(803)	(1,079)	(6,019)
Disposals	3,299	891	242	49	-	4,481
31 December 2022	(3,689)	(11,496)	(3,741)	(10,776)	(4,894)	(34,596)
Charge for the year	(1,398)	(1,403)	(809)	(1,145)	(837)	(5,592)
Disposals	27	353	506	-	-	886
Revaluation effect	5,060	-	-	-	-	5,060
31 December 2023	-	(12,546)	(4,044)	(11,921)	(5,731)	(34,242)
Net carrying amounts						
31 December 2022	97,687	2,698	3,180	2,399	5,774	111,738
31 December 2023	146,109	2,182	3,118	1,987	4,975	158,371

The Group's/Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the Group's/Company's land and buildings was assessed as at 31 December 2023 by the management of the Group, in accordance with international valuation standards. The approaches used in valuation were both the market approach and the cost approach methods.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The fair value of the freehold land was determined using level 2 of fair value hierarchy, with the market comparable approach that reflects recent transaction prices for similar properties.

Main approach in valuation of specialized property was determined using level 3 of fair value hierarchy, based on the cost approach (depreciated replacement cost method) with application of income capitalization approach for impairment test. The cost approach used reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. The discount rate used in measuring value in use for impairment test purposes was 14.07%.

Level 2 or level 3 of fair value hierarchy has been used also for non-specialized properties, based on comparable sales or cost approaches have been used to determine the fair value, with application of income approach for testing of the valuation result on impairment if appropriate. Inputs used for fair value measurement using level 3 hierarchy were observable, either from the past experience or using date of the properties with the similar characteristics. For the year ended December 31, 2023, the impact of the valuation as an impairment was included as part of a net gain from the revaluation of non-current assets, amounting to GEL (1,626), and was also reflected in other comprehensive income of GEL 49,234.

14. INVESTMENT PROPERTY

	Group	Company
31 December 2021	<u>20,852</u>	<u>20,852</u>
Addition	51,540	51,540
Transferred from property, plant and equipment	4,643	4,643
Disposals	<u>(8,833)</u>	<u>(8,833)</u>
31 December 2022	<u>68,202</u>	<u>68,202</u>
Addition	1,371	1,371
Revaluation result	20,823	20,823
Disposals	<u>(29,722)</u>	<u>(29,722)</u>
31 December 2023	<u>60,674</u>	<u>60,674</u>

As at 31 December 2023 and 2022 the Group/Company has pledged all investment property to secure bank borrowings (see note 21).

As at 31 December 2023 the Group's/Company's investment property were consists plots of land which are stated at their revalued amounts, being the fair value at the date of revaluation. The fair value of the Group's/Company's investment property was assessed as at 31 December 2023 by the management of the Group, in accordance with international valuation standards. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The valuation resulted in a net gain from non-current assets revaluation of GEL20,823.



15. LEASES

	Group		
	Land and buildings	Machinery & equipment	Total
Right-of-use Assets			
At 31 December 2021	11,154	73	11,227
Disposal	(338)	-	(338)
Depreciation Charge	(1,067)	(11)	(1,078)
As at 31 December 2022	9,749	62	9,811
Disposal	90	-	90
Modification	2,870	-	2,870
Depreciation Charge	(1,167)	(11)	(1,178)
As at 31 December 2023	11,542	51	11,593
	Company		
Right-of-use Assets			
At 31 December 2021	10,938	73	11,011
Disposal	(245)	-	(245)
Depreciation Charge	(1,212)	(11)	(1,223)
As at 31 December 2022	9,481	62	9,543
Addition	90	-	90
Modification	4,223	-	4,223
Depreciation Charge	(1,320)	(11)	(1,331)
As at 31 December 2023	12,474	51	12,525

Movements in lease liabilities in 2023 and 2022 were as follows:

	Group	Company
Lease Liabilities		
At 31 December 2021	15,747	16,412
Interest expense	1,361	1,515
Foreign exchange effect	(1,226)	(1,216)
Repayment of interest expense	(1,361)	(1,515)
Repayment of principal portion of lease liability	(1,297)	(1,232)
Lease Terminations	(1,451)	(1,288)
At 31 December 2022	11,773	12,676
Addition	90	90
Interest expense	1,156	1,415
Foreign exchange effect	7	7
Repayment of interest expense	(1,156)	(1,415)
Repayment of principal portion of lease liability	(998)	(1,191)
Modification	846	2,124
At 31 December 2023	11,718	13,706

16. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	Company			
	Share	Investment	Share	Investment
	31.12.2023	31.12.2023	31.12.2022	31.12.2022
<i>Investment in subsidiaries</i>				
Wissol Auto Express LLC	100%	15,374	100%	15,877
Wissol Petroleum Georgia Vake LLC	50%	332	50%	332
Wissol-Kochebi LLC	100%	-	100%	-
Canargo Standard OP Chugureti LLC	51%	-	51%	-
Ertoba 2018 LLC	100%	-	100%	-
		15,706		16,209
<i>Investment in an associate</i>				
Jachvis Khidi LLC	40%	620	40%	620
Wissol Group LLC	34%	-	34%	-
		620		620
		16,326		16,829



17. INVENTORY

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Fuel	46,236	40,090	46,236	40,090
Other	11,030	9,724	4,224	2,541
	<u>57,266</u>	<u>49,814</u>	<u>50,460</u>	<u>42,631</u>

18. TRADE AND OTHER ACCOUNTS RECEIVABLE

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Trade accounts receivable	23,277	19,698	20,737	17,113
Other accounts receivable	2,452	9,622	2,554	9,812
Less: allowance for doubtful debts	(6,984)	(13,340)	(6,414)	(12,704)
	<u>18,745</u>	<u>15,980</u>	<u>16,877</u>	<u>14,221</u>

When evaluating potential losses on trade and other receivables, the Group/Company conducts an examination to determine if there have been any alterations in their credit quality from the date of initial credit approval to the reporting date. Therefore, according to the management of the Group/Company, it is not necessary to create an additional credit reserve in addition to the expected credit loss reserve.

	Group		Company	
	2023	2022	2023	2022
Change in allowance:				
Opening provision	(13,340)	(8,578)	(12,704)	(7,998)
Charge during the year	-	(4,891)	-	(4,835)
Reversal during the year	6,356	129	6,290	129
Closing provision	<u>(6,984)</u>	<u>(13,340)</u>	<u>(6,414)</u>	<u>(12,704)</u>

Aging analysis for trade and other receivables allowance can be presented as follows:

	Group			
	2023		2022	
	Receivables	Allowance	Receivables	Allowance
Less than 30 days	17,660	(475)	14,246	(757)
From 30 to 90 days	1,387	(466)	1,115	(590)
From 90 to 180 days	408	(339)	661	(545)
Over 180 days	6,274	(5,704)	13,298	(11,448)
	<u>25,729</u>	<u>(6,984)</u>	<u>29,320</u>	<u>(13,340)</u>

	Company			
	2023		2022	
	Receivables	Allowance	Receivables	Allowance
Less than 30 days	16,133	(460)	12,735	(718)
From 30 to 90 days	977	(333)	853	(523)
From 90 to 180 days	133	(110)	438	(360)
Over 180 days	6,048	(5,511)	12,899	(11,103)
	<u>23,291</u>	<u>(6,414)</u>	<u>26,925</u>	<u>(12,704)</u>

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Cash on hand	9	31	7	30
Cash in banks in Local Currency	4,877	9,479	3,884	9,479
Cash in banks in Foreign Currencies	24,482	5,913	24,466	5,565
	<u>29,368</u>	<u>15,423</u>	<u>28,357</u>	<u>15,074</u>

For the year ended 31 December 2023

(In Thousands GEL, unless otherwise indicated)

20. SHARE CAPITAL

As at 31 December 2023 and 2022, share capital is presented as GEL 17,212 and GEL 22,134, respectively. As at 31 December 2023 and 2022 the Group's/Company's share capital comprised of 10,529,727 and 14,881,000 ordinary shares with a nominal par value of 1 USD per share respectively.

All shares have equal voting rights and rights to receive dividends, which are payable at the discretion of the Group/Company. Payment of dividends is subject to withholding tax of 5% and profit tax of 15% from the gross amount of payment. During the 2023 and 2023 reported periods the group/company did not declare any dividends to the shareholders.

21. BORROWINGS

Counterparty	Interest (%)	Currency	Maturity date	Group		Company	
				31.12. 2023	31.12. 2022	31.12. 2023	31.12. 2022
JSC "TBC bank"	7.5	EUR	Jun-31	32,662	-	32,662	-
JSC "TBC bank" accreditive	9.4	USD	Jan-24	19,578	-	19,578	-
JSC "TBC bank"	7.5	EUR	Jun-24	13,544	-	13,544	-
JSC "VTB bank Georgia"	8.0	USD	Feb-22	13,061	13,080	13,061	13,080
JSC "TBC Bank"	7.5	EUR	Jun-31	4,964	-	4,964	-
JSC "TBC Bank"	15.0	GEL	Feb-24	-	14,828	-	14,828
JSC "TBC Bank"	15.0	GEL	Feb-24	-	14,828	-	14,828
LLC "Alma"	7.6	USD	Dec-23	-	9,066	-	9,066
JSC "Pasha Bank"	10.5	USD	Apr-23	-	7,075	-	7,075
JSC "Halyk bank Georgia"	14.0	GEL	Jul-23	-	5,954	-	5,954
JSC "Basis bank"	13.7	GEL	Jan-23	-	3,522	-	3,522
JSC "Halyk bank Georgia"	13.7	GEL	Nov-22	-	3,165	-	3,165
JSC "Pasha bank"	9.5	USD	Oct-23	-	2,703	-	2,703
JSC "Cartu bank"	9.5	USD	Nov-24	-	2,043	-	2,043
JSC "Pasha bank"	8.5	USD	Dec-23	-	1,353	-	1,353
JSC "Cartu bank"	Bas. +4.0	GEL	Mar-23	-	434	-	434
LLC "Alma"	7.6	EUR	Dec-23	-	404	-	404
JSC "Basis bank"	13.5	GEL	Sep-22	-	8	-	8
JSC "TBC bank"	7.8	USD	Feb-22	-	3	-	3
JSC "Basis bank"	10.0	USD	Oct-25	-	2	-	2
Subsidiaries loans in commercial banks	3.0 - 9.2	USD, EUR	Oct-23	2,494	575	-	-
				<u>86,303</u>	<u>79,043</u>	<u>83,809</u>	<u>78,468</u>

Borrowings have been secured by a pledge over the Group's/Company's property, plant and equipment and investment property (Note 13 and Note 14).

Movement in borrowings can be presented as follows:

	Group		Company	
	2023	2022	2023	2022
1 January	<u>79,043</u>	<u>77,314</u>	<u>78,468</u>	<u>76,524</u>
Loan received	153,543	183,589	151,126	183,606
Loan received non-cash	3,015	2,569	-	-
Accrued interest	7,121	7,550	6,975	7,617
Loan repayment	(149,628)	(173,244)	(146,624)	(171,117)
Loan repayment - non-cash	(560)	(501)	-	-
Interest paid	(7,179)	(7,730)	(7,017)	(7,761)
Foreign exchange gain/(loss), net	948	(10,504)	881	(10,401)
31 December	<u>86,303</u>	<u>79,043</u>	<u>83,809</u>	<u>78,468</u>

22. TRADE AND OTHER ACCOUNTS PAYABLE

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Trade payables for fuel	14,517	31,902	12,474	30,598
Payable from factoring service	4,676	13,510	4,676	13,510
Other	1,981	1,742	2,127	2,007
	<u>21,174</u>	<u>47,154</u>	<u>19,277</u>	<u>46,115</u>



23. ADVANCE RECEIVED

	Group		Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Advance payments received for fuel	14,406	15,430	14,406	15,373
Other advance payments received	1,934	907	1,935	908
	<u>16,340</u>	<u>16,337</u>	<u>16,341</u>	<u>16,281</u>

24. COMMITMENTS AND CONTINGENCIES

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 Group/Company may be assessed additional taxes, penalties and interest. The Group/Company believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated 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, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Georgia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Legal proceedings - From time to time and in the normal course of business, claims against the Group/Company are received from citizens and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated and separate financial statements.

25. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

	Group		Company	
	2023	2022	2023	2022
Balances with shareholders, subsidiaries and other entities under common control				
Finance lease liability	3,659	3,986	3,659	3,986
Deferred revenue	1,301	1,421	1,301	1,421
Trade and other accounts receivable	1,298	697	1,460	849
Trade and other accounts payable	808	256	954	337
Lease liabilities	390	439	3,146	3,480
Loans granted	735	3,661	732	4,530
Paid advances	125	-	125	-
Borrowings	-	9,470	-	9,470
Operations with shareholders, subsidiaries and other entities under common control				
Revenue	725	626	725	781
Purchases	3,006	12,519	3,006	12,858
Finance income	318	382	385	3
Other income	3,553	2,924	3,553	6,581
Selling and Distribution Costs	505	62	747	1,070
General and administrative expenses	76	-	76	33
Finance expenses	235	-	607	-
Gain/(loss) from foreign exchange	19	-	19	-
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Key Management	2023	2022	2023	2022
Payroll and other related charges	5,322	3,057	4,982	2,641

26. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period:

- The Group/Company obtained a new loan of GEL 278,454 from JSC TBC Bank and repaid loans totaling GEL 273,953, including GEL 274,643 to JSC TBC Bank and GEL 615 to JSC VTB Bank.
- The Group/Company granted loans to related parties, including GEL 2,288,733 to Wissol Auto Express LLC and GEL 2,047,500 to the founder. During the same period, loans from related parties were repaid, including GEL 159 from the founders and GEL 1,039 from Wissol Auto Express LLC, Kiosk Georgia LLC GEL 10.

27. MATERIAL ACCOUNTING POLICIES

Principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated and separate financial statements are measured using the currency of the primary economic environment in which the Group/Company operates ('the functional currency'). Consolidated and Separate Financial statements are presented in Georgian Lari, which is the Group's/Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in the consolidated and separate statement of profit or loss and other comprehensive income for the period. Foreign exchange gains and losses that relate to financial instruments are presented in the consolidated and separate statement of comprehensive income within "Foreign exchange gain (loss), net".

The closing official rates of the National Bank of Georgia of exchange used for translating foreign currency balances to Georgian Lari were:

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

Financial assets - Financial assets arise principally from the provision of goods and services to customers (e.g. trade receivables), where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Group's/Company's financial assets are classified as "Financial assets at amortized cost".

The Group/Company recognise 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 expected 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 recognized 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 Group/Company defined full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3). Loans granted and receivables are allocated to stage 2 and stage 3.

For collectively assessed loans and receivables the Group/Company apply a simplified approach in calculating ECLs. Therefore, the Group/Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group/Company have 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. Collectively are assessed trade and other receivables.

For individually assessed loans and receivables the Group/Company estimates the provision amount based on the past experience with the customer, financial condition for the year end and repayment track subsequent to the year. In case the exposure of certain counterparty is not provisioned on individual basis or ECL determined with collective assessment is more than individually assessed, the Group/Company use collective assessment for such exposures.



27. MATERIAL ACCOUNTING POLICIES (CONTINUED)

The Group/Company consider a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group/Company may also consider a financial asset to be in default when internal or external information indicates that the Group/Company are 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.

Financial liabilities - The Group/Company has estimated which business model was sufficient to the Group's/Company's financial liabilities.

Other financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to their release. The liabilities of such interest are subsequently recorded at amortized cost using the effective interest rate method which ensures accrual of interest on the carrying amount of the financial liability at constant rate. Interest expenses for any financial liability include the initial transaction costs and any additional charges for the redemption of the obligation.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

The consolidated financial statements present the results of the company and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated/separate financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Investments in subsidiaries - a subsidiary is an entity over which the Company has control. 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. Subsidiaries are recognized at historical cost from the date the Group/Company obtains control and continue to be recognized at historical cost until control is lost

Investments in associates - an associate is an entity over which the Group/Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Equity instruments issued by the Group/Company are recognized at the fair value of the consideration received, less any direct issuance costs

Non-controlling interests - Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Property, plant and equipment – Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated and separate statements of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the arraying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

27. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Any revaluation increase arising on the revaluation of land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's/Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the declining method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Useful lives of the groups of property, plant and equipment are as follows:

Categories of property, plant and equipment	Useful Life
Buildings	5-20
Machinery and equipment	5-12.5
Vehicles	5
Office equipment	5
Other fixed assets	5-20

Freehold land is not depreciated.

Vehicles, equipment and other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant 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.

Investment property - Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period.

Market value of the Group's/Company's investment property is determined recent experience in valuation of property of similar location and category.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

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 Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

27. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets acquired separately - Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group/Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the updated discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Short-term leases and leases of low-value assets

The Group/company applies the recognition exemption for short-term leases (i.e. lease with a lease term of 12 months or less from the commencement date) and leases of low-value assets. Associated lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Inventories – Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis (in bases) and on an individual basis (for petrol stations). Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 Group/Company have obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. 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 recognized in profit or loss for the year.



27. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of assets – At the end of each reporting period, the Group/Company review the carrying amounts of their 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 Group/Company estimate 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 group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Advances received – Advances received comprise of cash received in advance for fuel and other advances received. All amounts received in advance are not recorded as revenue until related products have been delivered or services have been provided to customers.

Classification as debt or equity – Debt and equity instruments issued by a Company or a Group entity 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. Equity instruments issued by the Group/Company are recognized at the proceeds received, net of direct issue costs.

Share capital – Share capital is recognized at the fair value of the contributions received by the Group/Company.

Dividends – Dividends are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event and disclosed accordingly.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

Revenue recognition – Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been pumped to the customer's vehicle or left the warehouse for wholesale process. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group/Company recognizes performance obligation for all of the following offerings at a point in time, The company and Group have only one performance obligation for each offering.

Revenue is recognized net of value added tax. Revenues are measured at the fair value of the consideration received or receivable. Based on the sales terms revenue figure is further decreased with value or volume discounts and rebates offered to customers.

Recognition of expense – Expenses are recognized in the statement of comprehensive income if there arises any decrease of future economic profit related to the decrease of an asset or increase of a liability that can be reliably assessed. Expenses are recognized in the statement of comprehensive income immediately, if the expenses do not result in future economic profit any more, or if future economic profit do not meet or stop to meet the requirements of recognition as an asset in the consolidated/separate statement of financial position.

Short-term and other long-term employee benefits – A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Starting from 1 January, 2019 the Group/Company have a legal obligation to make pension amounting to 2% of employee's gross salaries and benefits, which is paid in state pension fund.

Dividend and interest income – Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group/Company and the amount of income can be measured reliably).



27. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Recognition of Interest income and expense - For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. Interest income and expense are recognized in the statement of profit and loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Current and Income tax – Income tax expense represents the tax currently payable. 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 and Group's profit before tax, regardless of the retention or distribution status. Income tax on distributed profits is recognized as an expense at the moment dividends are declared and recorded under "income tax" in the statement of profit or loss. Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to tax authorities. Tax imposed on the areas other than distributed profits as described above is recorded under "Taxes and duties" in the statement of profit and loss.

Taxes other than income tax

The Group/Company recognised taxes other than income tax when obligating event occurred. The obligating events are an event that raises a liability to pay a tax. Taxes are calculated in accordance with Georgian legislation.

Provisions, Contingent assets, and liabilities

– Provisions are recognized when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group/Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities are not recognized in the consolidated and separate financial statements. They are disclosed in the notes to the consolidated and separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the statement of financial position but are disclosed in the consolidated and separate financial statements when an inflow of economic benefits is probable.