JSC POTI SEA PORT CORPORATION

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

31 December 2023

Contents

Independent Auditor's Report

To the Shareholder and Management of JSC Poti Sea Port Corporation

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC Poti Sea Port Corporation (the "Company") as at 31 December 2023, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the Management Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the Management Report.

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

In addition, we are required by the Law of Georgia on Accounting, Reporting and Auditing to express an opinion whether certain parts of the Management Report comply with respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the information given in the Management Report complies with the requirements of paragraph 6 of article 7 of the Law of Georgia on Accounting, Reporting and Auditing.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with 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.

PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

Lasha Janelidze (Reg.#SARAS-A-562091)

26 March 2024
Tbilisi, Georgia

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PricewaterhouseCoopers Georgia LLC

PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

Lasha Janelidze (Reg.#SARAS-A-562091)

26 March 2024
Tbilisi, Georgia

In thousands of Georgian Lari	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	8	631,941	630,402
Prepayments for property, plant and equipment		7,955	8,989
Right-of-use assets		4,479	5,528
Intangible assets		630	720
Investments in associates	9	18,889	16,598
Loans issued	11	67,920	-
Finance lease receivables	10	23,196	24,527
Total non-current assets		**755,010**	**686,764**
Current assets			
Inventories		4,235	4,222
Trade and other receivables		11,706	8,128
Finance lease receivables		6,139	5,989
Restricted cash		1,820	200
Cash and cash equivalents	12	40,154	19,735
Total current assets		**64,054**	**38,274**
TOTAL ASSETS		**819,064**	**725,038**
EQUITY			
Share capital	13	196,370	196,370
Retained earnings		237,474	121,345
Revaluation reserve	8	340,010	343,132
Other reserves		9,947	9,947
TOTAL EQUITY		**783,801**	**670,794**
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,545	6,738
Deferred income		7,920	8,665
Total non-current liabilities		**13,465**	**15,403**
Current liabilities			
Lease liabilities		1,162	1,060
Deferred income		605	466
Trade and other payables	14	11,747	31,998
Provisions for other liabilities and charges		1,647	1,647
Other tax payables, net		6,637	-
Current income tax payable		-	3,670
Total current liabilities		**21,798**	**38,841**
TOTAL LIABILITIES		**35,263**	**54,244**
TOTAL LIABILITIES AND EQUITY		**819,064**	**725,038**

Approved for issue and signed on 26 March 2024.

Julian Andres Fernandez Managing Director	Natela Nachkebia Finance Manager

In thousands of Georgian Lari	Note	31 December 2023	31 December 2022
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Julian Andres Fernandez	Natela Nachkebia
Managing Director	Finance Manager

The accompanying notes on pages 5 to 27 are an integral part of these financial statements.

In thousands of Georgian Lari	Note	2023	2022
Revenue	15	225,970	202,536
Cost of sales	16	(78,177)	(62,519)
Gross profit		**147,793**	**140,017**
General and administrative expenses	17	(33,265)	(43,356)
Other gains, net		191	851
Operating profit		**114,719**	**97,512**
Finance costs		(1,225)	(3,174)
Finance income	18	9,332	8,309
Share of results of associates	9	2,291	(157)
Profit before income tax		**125,117**	**102,490**
Income tax expense	19	(12,110)	(8,050)
PROFIT FOR THE YEAR		**113,007**	**94,440**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	8	-	103,094
Revaluation decrease of property, plant and equipment as a result of revalued asset de-recognition		(3,122)	(903)
Reclassification of revaluation to retained earnings		3,122	903
Share of other comprehensive income of associates	9	-	2,479
Other comprehensive income for the year		**-**	**105,573**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**113,007**	**200,013**

In thousands of Georgian Lari	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2022	**196,370**	**240,941**	**7,468**	**71,136**	**515,915**
Profit for the year	-	-	-	94,440	94,440
Other comprehensive income for the year	-	103,094	2,479	-	105,573
Total comprehensive income for 2022	**-**	**103,094**	**2,479**	**94,440**	**200,013**
Transfer of revaluation surplus (Note 8)	-	(903)	-	903	-
Dividends declared	-	-	-	(45,134)	(45,134)
Balance at 31 December 2022	**196,370**	**343,132**	**9,947**	**121,345**	**670,794**
Profit for the year	-	-	-	113,007	**113,007**
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for 2023	**-**	**-**	**-**	**113,007**	**113,007**
Transfer of revaluation surplus (Note 8)	-	(3,122)	-	3,122	**-**
Balance at 31 December 2023	**196,370**	**340,010**	**9,947**	**237,474**	**783,801**

In thousands of Georgian Lari	Note	2023	2022
Cash flows from operating activities			
Profit before income tax		125,117	102,490
Adjustments for:			
Depreciation of property, plant and equipment	8	27,089	21,693
Depreciation of right-of-use assets		1,049	1,048
Impairment of inventories		253	557
Impairment of trade and other receivables		224	251
Losses/(gains) on disposals of property, plant and equipment		860	101
Finance income	18	(9,332)	(8,309)
Finance cost		785	977
Foreign exchange losses less gains		(5,091)	7,347
Other non-cash operating income		(516)	(465)
Share of results of associates	9	(2,291)	157
Operating cash flows before working capital changes:		**138,147**	**125,847**
(Increase)/decrease in trade and other receivables		(247)	1,825
Increase in inventories		(237)	(57)
Increase/decrease in trade and other payables		350	3,421
Increase in restricted cash		(1,620)	-
Decrease in other taxes, net		6,637	1,585
Changes in working capital		**4,883**	**6,774**
Income taxes paid	19	(15,780)	(4,379)
Interest income received		2,962	2,080
Interest paid		(785)	(977)
Net cash from operating activities		**129,427**	**129,345**
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(49,260)	(83,763)
Acquisition of intangible assets		-	(319)
Proceeds from the sale of property, plant and equipment		204	309
Receipts from finance lease receivables		6,450	7,993
Loans granted to related parties		(67,593)	-
Dividends received from associates	9	-	25
Net cash used in investing activities		**(110,199)**	**(75,755)**
Cash flows from financing activities			
Repayment of lease liabilities		(1,030)	(1,038)
Dividends paid to the Company’s shareholder		-	(45,134)
Net cash from used in financing activities		**(1,030)**	**(46,172)**
Effect of exchange rate changes on cash and cash equivalents		2,221	(4,086)
Cash and cash equivalents at the beginning of the year	12	**19,735**	**16,403**
Cash and cash equivalents at the end of the year	12	**40,154**	**19,735**

1 JSC Poti Sea Port Corporation and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing for the year ended 31 December 2023 for JSC Poti Sea Port Corporation (the “Company”).

Poti sea port was established in XIX century and its reconstruction and expansion started in 1899. At present, the company operates with indoor and outdoor storage facilities, motor and railroads, a distribution substation and other ancillary infrastructure. The Port has eight transit facilities located at the 15 berths and is engaged in serving ships, cargo and container handling, dispatching operations, warehousing, berths rental and terminal services, etc. in Poti, Georgia.

In 1999 the Company was registered as a legal entity of public law and on 27 December 2004 it was reorganised to a limited liability company (“LLC”) owned by the Government of Georgia. On 3 April 2008, the Company was reorganised into a joint stock company set up in accordance with Georgian regulations and is registered by Poti Court with identification number: 215080999.

As of 31 December 2023 and 2022 the Company’s 100% shares were owned by APM Terminals BV, Netherlands (APMTBV) and the Company was ultimately controlled by A.P. Moller-Maersk Group.

Principal activity. The Company’s principal business activity is Black Sea port operation with own port facilities based in Poti, Georgia.

Registered address and place of business. The registered office and place of business of the Company is at 38 David Aghmashenebeli Street, Poti, Georgia.

Presentation currency. These financial statements are presented in Georgian Lari ("GEL"), unless otherwise stated.

2 Operating Environment of the Company

The Company’s principal business activities are within Georgia. Georgia displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. Georgian tax legislation is subject to varying interpretations and frequent changes.

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

COVID-19. In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Georgian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. All of those measures were subsequently relaxed, however, as of 31 December 2023, there remains a risk that the authorities may impose additional restrictions in 2024 as a response to possible new variants of the virus.

War between Russia and Ukraine. The war is expected to have a pervasive impact on the global economy e.g., via growing commodity prices, potential shortages of oil/gas/coal, business disruptions etc. On the other hand, the sanctioning of Russian marine zone increased number of vessels entering Poti Sea Port from the Eastern countries heading towards Europe and USA.

The future effects of the current economic situation and the above measures are difficult to predict, and management’s current expectations and estimates could differ from actual results.

3 Basis of Preparation

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing, under the historical cost convention, except that property, plant and equipment is remeasured at fair value on a regular basis. The material accounting policies applied in the preparation of these financial statements are set out in each respective note. These policies have been consistently applied to all the periods presented, unless otherwise stated (Refer to Note 5).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Transactions and balances. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the National Bank of Georgia ("NBG") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the NBG are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within 'finance income, net'. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'Foreign exchange (losses)/gains, net'.

As at 31 December 2023, the official rate of exchange, as determined by the National Bank of Georgia, was US Dollar ("USD") 1 = GEL 2.6894 and Euro ("EUR") 1 = GEL 2.9753 (31 December 2022: USD 1 = GEL 2.7020 and EUR 1 = GEL 2.8844). The average exchange rate for the year ended 31 December 2023 was USD 1 = GEL 2.6279 and EUR 1 = GEL 2.8416 (2022: USD 1 = GEL 2.9156 and EUR 1 = GEL 3.0792). At present, the Georgian Lari is not a freely convertible currency in most countries outside of Georgia.

Foreign currency translation. The Company's functional currency and the Company's presentation currency is the national currency of Georgia, Georgian Lari ("GEL").

Amendment of the financial statements after issue. Any changes to these financial statements after issue require approval of Company's management who authorised these financial statements for issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- ***Leases and derecognition of financial assets*** – see further information in the Note 10.
- ***Initial recognition of related party transactions*** – see further information in the Note 7.
- ***ECL measurement*** – see further information in the Note 21.
- ***Significant increase in credit risk ("SICR")*** – see further information in the Note 21.
- ***Useful lives of property, plant and equipment*** – see further information in the Note 8.
- ***Valuation of property, plant and equipment***. – see further information in the Note 8.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and the amendments became effective from 1 January 2023:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

- ***IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)***.
- ***Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).***
- ***Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).***
- ***Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).***

The application of the amendments had no significant impact on the Company's financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Company has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. The Company is currently assessing the impact of the amendments on its financial statements.

6 New Accounting Pronouncements (Continued)

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023, effective for annual periods beginning on or after 1 January 2025). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. The Company is currently assessing the impact of the amendments on its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely. The Company is currently assessing the impact of the amendments on its financial statements.

7 Balances and Transactions with Related Parties

Material accounting policy

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Critical Accounting Estimates and Judgments in Applying Accounting Policies

Initial recognition of related party transactions. In the normal course of business, the Company enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

At 31 December 2023, the outstanding balances with related parties were as follows:

In thousands of Georgian Lari	**Ultimate controlling party**	**Immediate parent company**	**Entities under common control**	**Associates**
Gross amount of trade receivables	-	-	5,455	305
Investments in associates	-	-	-	18,889
Lease liabilities	-	-	(6,707)	-
Trade and other payables	-	(782)	(1,697)	-
Advances paid	29	-	-	
Loans issued	67,920	-	-	-

The income and expense items with related parties for the year ended 31 December 2023 were as follows:

In thousands of Georgian Lari	**Ultimate controlling party**	**Immediate parent company**	**Entities under common control**	**Associates**
Revenue from services rendered	-	-	29,997	573
Lease revenue	-	-	-	304
Other operating income	-	-	128	-
Interest income	685	-	70	-
Share of profit of associates	-	-	-	2,291
Management fees	-	(8,446)	(14)	-
Towage service fee	-	-	(4,812)	-
Other professional services	-	(25)	(1,894)	-
Interest expense	-	-	(785)	-

At 31 December 2022, the outstanding balances with related parties were as follows:

In thousands of Georgian Lari	**Ultimate controlling party**	**Immediate parent company**	**Entities under common control**	**Associates**
Gross amount of trade receivables	-	-	2,843	55
Investments in associates	-	-	-	16,598
Lease liabilities	-	-	(7,798)	-
Trade and other payables	(110)	(1,146)	(231)	(203)

7 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the year ended 31 December 2022 were as follows:

In thousands of Georgian Lari	Ultimate controlling party	Immediate parent company	Entities under common control	Associates
Revenue from services rendered	-	-	30,605	1,109
Lease revenue	-	-	-	414
Other operating income	-	-	52	-
Management fees	-	(8,957)	-	-
Towage service fee	-	-	(4,574)	-
Other professional services	-	(3,631)	(51)	-
Interest expense	-	-	(977)	-
Share of loss of associates	-	-	-	(156)

Key management compensation. Key management includes Executive Directors. Key management compensation is presented below:

	2023		2022	
In thousands of Georgian Lari	Expense	Accrued liability	Expense	Accrued liability
Short-term benefits:				
- Salaries	2,027	-	2,283	-
- Bonuses	680	680	499	499
- Benefits in-kind*	1,367	-	1,970	-
Total key management compensation	**4,074**	**680**	**4,752**	**499**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

8 Property, Plant and Equipment

Material accounting policy

Property, plant and equipment. Property, plant and equipment except for construction in progress, is measured at fair value less accumulated depreciation and impairment, where required. Construction in progress is measured at cost.

Property, plant and equipment except for construction in progress, is subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The revaluation reserve for property, plant and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

Depreciation. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	1 to 51 years
Ships, rigs and containers	1 to 19 years
Production facilities, equipment and infrastructure	1 to 49 years

The residual value of all items of property, plant and equipment as at 31 December 2023 and 31 December 2022 was estimated to be zero.

8 Property, Plant and Equipment (Continued)

Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2023 would be to increase it by GEL 3,006 thousand or decrease it by GEL 2,466 thousand (2022: increase it by GEL 2,117 thousand or decrease it by GEL 1,954 thousand).

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Georgian Lari	**Land and buildings**	**Ships, rigs and containers**	**Production facilities, equipment and infrastructure**	**Construction in progress**	**Total**
Cost / Revalued amount					
Balance at 1 January 2022	**343,183**	**10,686**	**99,283**	**59,978**	**513,130**
Additions	-	-	-	97,229	97,229
Transfers	595	506	16,651	(17,752)	-
Disposals	(90)	-	(913)	-	(1,003)
Elimination of depreciation	(43,259)	(3,706)	(35,083)	-	(82,048)
Increase in revaluation reserve	96,085	1,006	18,802	-	115,893
Decrease in revaluation reserve	(10,089)	(1,876)	(834)	-	(12,799)
Balance at 31 December 2022	**386,425**	**6,616**	**97,906**	**139,455**	**630,402**
Additions	-	-	-	29,693	29,693
Transfers	84,573	-	4,213	(88,786)	-
Disposals	(58)	-	(1,401)	-	(1,459)
Balance at 31 December 2023	**470,940**	**6,616**	**100,718**	**80,362**	**658,636**
Accumulated depreciation					
Balance at 1 January 2022	**29,510**	**2,723**	**28,715**	**-**	**60,948**
Depreciation charge	13,759	983	6,951	-	21,693
Depreciation on disposal	(10)	-	(583)	-	(593)
Elimination of depreciation	(43,259)	(3,706)	(35,083)	-	(82,048)
Balance at 31 December 2022	**-**	**-**	**-**	**-**	**-**
Depreciation charge	18,413	567	8,109	-	27,089
Depreciation on disposal	(3)	-	(391)	-	(394)
Balance at 31 December 2023	**18,410**	**567**	**7,718**	**-**	**26,695**
Carrying amounts					
1 January 2022	313,673	7,963	70,568	59,978	452,182
31 December 2022	386,425	6,616	97,906	139,455	630,402
31 December 2023	**452,530**	**6,049**	**93,000**	**80,362**	**631,941**

8 Property, Plant and Equipment (Continued)

Construction in progress: Construction in progress as at 31 December 2023 consists mainly of uninstalled equipment and ongoing construction of the ‘expansion project’ (2022: uninstalled equipment and ongoing construction project of a breakwater rehabilitation and expansion project).

Revaluation. As at 31 December 2022, Property, plant and equipment, except for construction in progress and assets acquired under finance lease, have been revalued to market value. The valuation was carried out by an independent firm of appraisers, KPMG Georgia LLC, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The majority of the Company’s property, plant and equipment is specialised in nature and is rarely sold on the open market. Except for the part of property plant and equipment, which was appraised on the basis of recent market transactions, the market for similar property, plant and equipment is not active in Georgia and does not provide a sufficient number of sales of comparable property, plant and equipment for using a market-based approach for determining fair value.

Depreciated replacement cost was estimated based on internal sources and analysis of the Georgian market for similar property, plant and equipment. Various market data were collected from published information, catalogues, statistical data etc., and industry experts. Suppliers of property, plant and equipment were also contacted in Georgia.

As a result of valuation as of 31 December 2022, the fair value of properties excluding construction in progress and assets acquired under finance lease was determined to be USD 181,591 thousand (equivalent to GEL 490,659 thousand, using the GEL/USD exchange rate of 2.7020). As a result of asset derecognition, revaluation reserve with the amount GEL 3,122 thousand (2022: GEL 903 thousand) was transferred to retained earnings.

Had no revaluation taken place in the past carrying values of the Company’s property, plant and equipment would have been GEL 383,264 thousand, GEL 372,098 thousand and GEL 292,926 thousand, and as at 31 December 2023, 31 December 2022 and 1 January 2022, respectively.

At 31 December 2023 no properties or equipment had been pledged to third parties as collateral (31 December 2022: nil).

9 Investments in Associates

Material accounting policy

Associates. Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Share of other comprehensive income of associate, which is due from the gain on revaluation of the associate’s property, plant and equipment, is accounted under ‘Other reserves’ in the statement of changes in equity of the Company.

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

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The table below summarises the movements in the carrying amount of the Company’s investments in associates.

9 Investments in Associates (Continued)

In thousands of Georgian Lari	2023	2022
Carrying amount at 1 January	**16,598**	**14,301**
Share of loss of associates	2,291	(157)
Share of other comprehensive income	-	2,479
Dividends received from associates	-	(25)
Carrying amount at 31 December	**18,889**	**16,598**

The Company's interests in its principal associates, all incorporated in Georgia, were as follows:

Name	Nature of the Business	31 December 2023	31 December 2022
Associates			
Channel Energy Limited LLC	Oil terminals on the Black Sea coast	25%	25%
JSC Doctranshipment Poti	Cargo weighing service in the port	50%	50%

The Company holds 50% of the voting rights in JSC Doctranshipment Poti, a dormant entity, but does not have the current right to direct the relevant activities of this entity. Consequently, JSC Doctranshipment Poti is not consolidated and is listed as an associate of the Company.

Both associates are lessees of the Company. None of the investees are publicly listed entities and consequently do not have published price quotations.

10 Finance Lease Receivables

Material accounting policy

Finance lease receivables. Where the Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable at amount equal to the net investment in the lease.

The lease contracts contain both, finance and operating lease. Lease revenue from operating leases is recognised on a straight-line basis over the lease term, irrespective of when the payments are due. Income from finance lease is recognized as lease income (recognized in revenue) and interest income (recorded within finance income). The Company has finance lease arrangements for the properties and equipment located on the areas of berths #3, #4, #5, #6, #8, #9, #10 and #15 of the port. The lease arrangements are denominated in US Dollars. The average term of finance leases entered is 25 years.

At the commencement date measurement of the net investment in the lease comprises the fixed payments (including in-substance fixed payments), less any lease incentives payable.

Finance lease receivables are initially recognised at commencement (when the lease term begins), using a discount rate implicit in the lease to measure net investment in the lease.

Credit loss allowance is recognised using a simplified approach at lifetime ECL. The ECL is determined in the same way as for trade receivables. The ECL is recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases.

Critical Accounting Estimates and Judgments in Applying Accounting Policies

Leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets where the Company is a lessor are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

10 Finance Lease Receivables (Continued)

ECL measurement - see further information in the Note 11, 21.

The maturity analysis of the finance lease payments receivable is as follows:

In thousands of Georgian Lari	**31 December 2023**	**31 December 2022**
1 year	6,786	6,673
2 year	6,989	6,873
3 year	7,198	7,080
4 year	7,413	7,236
5 year	7,634	7,696
Later than 5 years	20,574	27,902
Total undiscounted finance lease payments receivable at 31 December	**56,594**	**63,460**
Unearned finance income	(27,259)	(32,944)
Allowance for credit losses	-	-
Finance lease receivable at 31 December	**29,335**	**30,516**

All finance lease receivables fall under Stage 1 (12- months ECL) for both 2023 and 2022 years and have been rated as ‘Good’ based on the management’s internal credit risk policies. All finance lease receivables relate to leases of production facilities, equipment, and infrastructure.

The finance lease receivables are effectively collateralised by the leased assets as the right to the asset reverts to the Company in case of the counterparty’s default. Refer to Note 23 for information about the fair value of finance lease receivables.

11 Loans Issued

Material accounting policy

The Company classifies loans issued at amortized cost. Loans issued are initially recorded at fair value adjusted for transaction costs. After the initial recognition, an ECL allowance is recognised for loans issued measured at AC, resulting in an immediate accounting loss. The Company uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market.

On 24 October 2023, the Company signed the loan agreement with A.P. Moller - Maersk A/S, an ultimate controlling party. According to the agreement, loan with the amount of USD 25,000 thousand was issued on 30 October 2023 with annual interest of 5.91161% and maturity date on 31 January 2024. As of 31 December 2023, the carrying amount of loan was GEL 67,920 thousand. According to the loan agreement, the interest and principal amounts are payable on the maturity date.

All loans issued fall under stage 1 (12-months ECL) and have been rated as ‘Excellent’ based on the management’s internal credit risk policies.

Loans issued are not collateralised.

Refer to Note 23 for the estimated fair value of issued loan. Information on related party balances is disclosed in Note 7.

12 Cash and Cash Equivalents

Material accounting policy

Cash and cash equivalents. Cash and cash equivalents include deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC.

ECL measurement - see further information in the Note 21.

In thousands of Georgian Lari	2023	2022
Bank balances payable on demand	40,154	19,735
Total cash and cash equivalents at 31 December	**40,154**	**19,735**

Bank balances payable on demand are held with banks which are "BB rated" (2022: "BB-rated") based on Fitch Ratings.

13 Share Capital

Material accounting policy

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

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

As of 31 December 2023 and 2022, the Company had issued total of 196,370 ordinary shares with a par value of 1 GEL per share. All issued ordinary shares are fully paid. All ordinary shares rank equally with regard to the Company's residual assets.

In accordance with Georgian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends declared and paid during the 2023 and 2022 year were as follows:

In thousands of Georgian Lari	2023	2022
Dividends payable at 1 January	**-**	**-**
Dividends declared during the year	-	(45,134)
Dividends paid during the year	-	45,134
Dividends payable at 31 December	**-**	**-**
Dividends per share declared during the year	**-**	**0.23**

All dividends are declared and paid in US Dollars.

14 Trade and Other Payables

Material accounting policy

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

In thousands of Georgian Lari	2023	2022
Trade payables	4,814	3,470
Payables for purchased property, plant and equipment	1,244	16,425
Accrued liabilities for property, plant and equipment	1,057	6,476
Accrued liabilities and other creditors	1,171	2,282
Total financial payables within trade and other payables at AC	***8,286***	***28,653***
Accrued employee benefit costs	3,085	2,962
Advances received	345	352
Other	31	31
Total other payables	***3,461***	***3,345***
Trade and other payables at 31 December	**11,747**	**31,998**

Refer to Note 23 for the estimated fair value of each class of other financial liabilities. Information on related party balances is disclosed in Note 7.

15 Revenue from Contracts with Customers

Material accounting policy

Revenue from contracts with customers.

The Company provides services mainly to agency companies, forwarders and cargo owners under fixed-price contracts. Revenue is recognised net of VAT and discounts. Generally, PSPC recovers debtors within 30 days from invoice date.

Revenue from marine services. Revenue from marine services (Port Services) mainly includes tonnage dues; Channel dues; Berth dues; All port dues and charges are based on vessels' Gross Tonnage (Revenue is calculated based on actual tonnage, length and other metrics of the vessel multiplied by appropriate tariff and the revenue is recognized at the point when the vessel arrives at the harbour (at the point of berthing)).

Revenue from container and general cargo. Revenue from container and general cargo operations are recognized at the point in time. Revenue is recognized when the discharging /or loading has been completed, according to the actual discharge and load lists and Terminal Departure Records (TDR).

Revenue from yard handling and storage. Yard handing is applicable for containerized cargo only and includes i. container lift on/off; ii. handling at Container Yard (CY);Yard handling revenue is recognized at the point in time, as soon as the service is provided according to the summary lists TDRs.

Revenue from storage services includes container and general cargo storage, car parking revenue and terminal fees. These services are recognised over time. Revenue is determined based on actual storage days multiplied by the relevant tariffs.

15 Revenue from Contracts with Customers (Continued)

Revenue from additional services. Following services are considered as additional: (i) Weighting of wagons on rail scales; (ii) Usage of port railway lines; (iii) Idle time for gangs; (iv) Vessel cleaning (sanitary services); (v) Removal of waste, etc. Revenue from additional services is recognised point in time, based

on Summary Sheets detailing actual work performed.

Financing components. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Other revenue

Lease income. The Company earns rental income from leased out berths. The lease contracts contain both, finance and operating lease. Lease revenue from operating leases is recognised on a straight-line basis over the lease term, irrespective of when the payments are due. Income from finance lease is recognized as lease income (recognized in revenue) and interest income (recorded within finance income).

The Company derives revenue from the transfer of services over time and at a point in time in the following major service lines:

In thousands of Georgian Lari	**2023**	**2022**
Container and general cargo	132,673	100,643
Marine services	46,787	52,632
Yard handling and storage	22,008	21,808
Additional services	4,346	5,598
Total revenue from contracts with customers	**205,814**	**180,681**
Lease income	20,156	21,855
Total revenue	**225,970**	**202,536**

Timing of revenue recognition is as follows:

In thousands of Georgian Lari	**2023**	**2022**
At a point in time	198,878	175,904
Over time	6,936	4,777
Total revenue from contracts with customers	**205,814**	**180,681**

16 Cost of Sales

In thousands of Georgian Lari	**2023**	**2022**
Staff costs	23,227	21,031
Depreciation	23,247	19,317
Repairs and maintenance	8,734	5,383
Cost of energy resources used	7,054	6,835
Towage service fee	4,627	4,574
Dredging expenses	3,560	2,394
Depreciation of right-of-use assets	1,049	1,048
Other	6,679	1,937
Total cost of sales	**78,177**	**62,519**

17 General and Administrative Expenses

In thousands of Georgian Lari	2023	2022
Professional services*	12,461	10,343
Staff costs	9,649	10,902
Taxes other than income tax	5,027	4,442
Depreciation and amortization	3,963	2,376
IT cost	2,472	2,245
Advertising and marketing services	1,596	478
Insurance	1,486	1,736
Business trip expenses	468	529
Impairment of trade and other receivables	253	251
Repairs and maintenance	201	791
Foreign exchange (gains)/losses, net	(5,532)	5,150
Other	1,221	4,113
Total general and administrative expenses	**33,265**	**43,356**

(*) Professional services includes GEL 486 thousand (2022: GEL 387 thousand) - fees incurred for audit and other services provided by Auditor/Audit Firm as defined in the Law of Georgia on Accounting, Reporting and Auditing.

18 Finance Income

In thousands of Georgian Lari	2023	2022
Interest income on finance lease receivable	5,412	6,158
Interest income on bank accounts	2,962	2,080
Interest income on loans issued	685	-
Other interest income	273	71
Finance income recognised in profit or loss	**9,332**	**8,309**

19 Income Taxes

Material accounting policy

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period.

On 13 May 2016 the Government of Georgia enacted the changes in the Tax Code of Georgia whereby companies (other than banks, credit unions, insurance companies, microfinance organizations and pawn shops) do not have to pay income tax on their profit earned since 1 January 2017, until that profit is distributed or deemed distributed in a form of dividend. 15 % income tax is payable on gross up value (i.e., net dividends shall be grossed up by withholding tax 5%, if applicable, and divided by 0.85) at the moment of the dividend payment to individuals or to non-resident legal entities. Dividends paid to resident legal entities from the profits earned since 1 January 2017 are tax exempted.

Dividends on earnings accumulated during the period from 1 January 2008 to 1 January 2017 is subject to income tax on grossed up value, reduced by respective tax credit calculated as a share of corporate income tax declared and paid on taxable profits vs total net profits for the same period multiplied to the dividend to be distributed. However, tax credit amount should not exceed the actual income tax imposed on dividend distribution.

Income tax arising from distribution of dividends is accounted for as an income tax expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

19 Income Taxes (Continued)

In addition to the distribution of dividends, the tax is still payable on expenses or other payments incurred not related to economic activities, free delivery of assets or services and representation costs that exceed the maximum amount determined by the Tax Code of Georgia. All advances paid to entities registered in jurisdictions having preferential tax regime and other certain transactions with such entities as well as loans granted to individuals or non-residents are immediately taxable. Such taxes along with other taxes, net of tax credits claimed on assets or services received in exchange for the advances paid to entities registered in jurisdictions having preferential tax regime or recovery of loans granted to individuals or non-residents, are recorded under 'Taxes other than on income' within operating expenses.

Critical Accounting Estimates and Judgments in Applying Accounting Policies

Income tax paid on loan issued to parent. Management applied judgement to determine whether tax paid on the loan issued to the parent company represents current income tax expense in accordance with IAS 12. Management considers it probable that the loan will be settled against future dividends to the shareholder and believes the transaction has features of a distribution. The related tax arising from such loan in the period the loan was issued was therefore recognised as current income tax of GEL 11,928 thousand. To the extent the loan is repaid by the parent company in future without direct settlement against future dividends from the Company, such repayment may cause recognition of the tax credit (i.e. reversal of current income tax) in the period when loan payment is received by the Company.

20 Contingencies and Commitments

Material accounting policy

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Competition Agency case. On 8 June 2016 fourteen transportation companies based in Poti lodged a complaint to the Georgian Competition Agency to stop the Company from implementing a new container cargo handling structure, as it was claimed to be incompatible with the norms of the Georgian Competition Law. On 21 April 2017 the Competition Agency issued a decision partially upholding the claims of the plaintiffs and finding breach of the Competition Law by the Company. On 25 May 2017 the Company appealed the Competition Agency's decision by lodging an administrative claim to the Tbilisi City Court's Administrative Chamber. Since the date, several hearings and meetings have been held in the Tbilisi City Court, with the transportation companies, as well as with the Competition Agency. Tbilisi City Court did not satisfy PSPC's claim. The justified decision was appealed by the Company at the Tbilisi Court of Appeals. On 20 February 2023 Tbilisi Court of Appeals have upheld the first instance court decision. Currently, the present case is pending for further appeal to the cassation court - the Supreme Court of Georgia. The case is still ongoing as of the date of these financial statements.

Tax legislation. The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of government bodies, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however, under certain circumstances a tax year may remain open longer. These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their own interpretations, could be significant.

The Company's uncertain tax positions are reassessed by the Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted

20 Contingencies and Commitments (Continued)

by the end of the reporting period. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their own interpretations, could be significant.

The Company has ongoing tax dispute relating to transfer pricing matters. Management is of the opinion that no material losses will be incurred in respect of dispute in excess of provisions that have been made in these financial statements.

Capital expenditure commitments. As of 31 December 2023, the Company had no contractual capital expenditure commitments (2022: nil).

Consideration of climate change. The Company management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on the financial statements, and the future effects on the Company's activities and business plans are difficult to predict. Management continues to monitor developments in this area and will respond as necessary to ensure the Company's viability and will adopt all government guidelines if and when these are issued in the markets in which the Company operates.

21 Financial Risk Management

The risk management function within the Company is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments. The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time.

The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Company produces regular reports based on a structured analysis focusing on the customer's financial performance. Any significant interaction with customers with deteriorating creditworthiness are reported to and reviewed by Management. The Company's management reviews the performance of counterparties and follows up on past due balances.

21 Financial Risk Management (Continued)

For other financial assets (loans issued), the Company applies risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's). Credit ratings are mapped on an internally defined master scale. Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk (AAA to BB+ corresponding ratings of external international rating agencies);
- *Good* – adequate credit quality with a moderate credit risk (BB to B+ corresponding ratings of external international rating agencies);
- *Satisfactory* – moderate credit quality with a satisfactory credit risk (B,B- corresponding ratings of external international rating agencies);
- *Special monitoring* – facilities that require closer monitoring and remedial management (CCC+ to CC- corresponding ratings of external international rating agencies); and
- *Default* – facilities in which a default has occurred (C,D-I, D-II corresponding ratings of external international rating agencies).

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year. The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

For purposes of measuring PD, the Company defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower meets the unlikeliness-to-pay criteria listed below:
    - the borrower is deceased;
    - the borrower is insolvent;
    - it is becoming likely that the borrower will enter bankruptcy; and

For purposes of disclosure, the Company fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company.

21 Financial Risk Management (Continued)

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition.

This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1.

If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Company monitors whether that indicator continues to exist or has changed. The Company performs ECL assessment on an individual basis for all types of financial instruments. ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome.

The Company defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future (month / year) during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month).

This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking information incorporated in the ECL models. The calculation of ECLs incorporate supportable forward-looking information. The Company identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Company and provide the best estimate of the expected macro-economic development over the next year.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

21 Financial Risk Management (Continued)

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2023			At 31 December 2022		
In thousands of Georgian Lari	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
US Dollars	107,993	2,562	105,431	38,317	9,492	28,825
Euros	-	848	(848)	1	155	(154)
Total	**107,993**	**3,410**	**104,583**	**38,318**	**9,647**	**28,671**

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant:

In thousands of Georgian Lari	At December 2023	At December 2022
US Dollar strengthening by 20%	21,086	5,765
US Dollar weakening by 20%	(21,086)	(5,765)
Euro strengthening by 20%	(170)	(31)
Euro weakening by 20%	170	31

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2023					
Total financial assets	120,530	4,472	2,932	23,196	**151,130**
Total financial liabilities	(6,155)	(484)	(581)	(5,545)	**(12,765)**
Net interest sensitivity gap at 31 December 2023	**114,375**	**3,988**	**2,351**	**17,651**	**138,365**

21 Financial Risk Management (Continued)

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2022					
Total financial assets	27,709	422	564	29,452	**58,147**
Total financial liabilities	(19,531)	(982)	(442)	(6,738)	**(27,693)**
Net interest sensitivity gap at 31 December 2022	**8,178**	**(560)**	**122**	**22,714**	**30,454**

All of the Company's debt instruments bear variable interest rates and reprice on a monthly basis.

The Company does not have formal policies and procedures in place for the management of interest rate risks as management considers this risk as insignificant to the Company's business.

The Company has low exposure to floating rate interest bearing instruments. The Company does not have financial assets that are exposed to interest rate risk, therefore, management believes that the Company does not have significant exposure to interest rate risk.

The Company monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel.

	31 December 2023		31 December 2022	
In % p.a.	GEL	USD	GEL	USD
Assets				
Loan issued	-	5.91161%	-	-
Cash and cash equivalents	11.75%	2.2%	11.75%	1.9%

Interest rates disclosed in the table above, represent average effective rates for individual financial instruments. The sign "- "in the table above means that the Company does not have the respective assets or liabilities in the corresponding currency.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the Company's cash flows. The Company seeks to maintain a stable funding base primarily consisting of trade and other payables. The Company's liquidity portfolio comprises cash and cash equivalents (Note 12).

The liquidity position is monitored on regular basis by the management of the Company. The table below shows liabilities at 31 December 2022 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period. The maturity analysis of financial liabilities at 31 December 2023 is as follows:

21 Financial Risk Management (Continued)

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Lease liabilities	(97)	(194)	(871)	(5,545)	-	(6,707)
Trade payables (Note 14)	(6,058)	-	-	-	-	(6,058)
Total future payments, including future principal and interest payments	**(6,155)**	**(194)**	**(871)**	**(5,545)**	**-**	**(12,765)**

The maturity analysis of financial liabilities at 31 December 2022 is as follows:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Lease liabilities	(88)	(530)	(442)	(6,738)	-	**(7,798)**
Trade payables (Note 14)	(19,443)	(452)	-	-	-	**(19,895)**
Total future payments, including future principal and interest payments	**(19,531)**	**(982)**	**(442)**	**(6,738)**	**-**	**(27,694)**

22 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. As of 31 December 2023, capital comprises of share capital, revaluation reserve, other reserves and retained earnings and is measured at GEL 786,222 thousand (2022: GEL 670,794 thousand).

23 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two 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), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

23 Fair Value Disclosures (Continued)

Recurring fair value measurements. Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Georgian Lari	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Non-financial assets								
- Property, plant and equipment excluding CIP	-	-	551,579	**551,579**	**-**	**-**	490,947	**490,947**
Total assets recurring fair value measurements at 31 December	**-**	**-**	**551,579**	**551,579**	**-**	**-**	**490,947**	**490,947**

Assets and liabilities not measured at fair value but for which fair value is disclosed. Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2023				31 December 2022			
In thousands of Georgian Lari	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
ASSETS								
Financial assets at AC								
- Cash and cash equivalents	-	40,154	-	40,154	-	19735	-	19,735
- Trade receivables	-	11,030	-	11,030	-	7,667	-	7,667
- Other financial receivables	-	1	-	1	-	29	-	29
- Restricted cash	-	1,820	-	1,820	-	200	-	200
- Finance lease receivables	-	29,335	-	29,335	-	30,516	-	30,516
- Loans issued	-	67,920	-	67,920	-	-	-	-
TOTAL ASSETS	**-**	**150,260**	**-**	**150,260**	**-**	**58,147**	**-**	**58,147**
LIABILITIES								
Other financial liabilities								
- Trade payables	-	6,058	-	6,058	-	19,895	-	**19,895**
- Other accrued liabilities	-	2,228	-	2,228	-	8,758	-	**8,758**
TOTAL LIABILITIES	**-**	**8,286**	**-**	**8,286**	**-**	**28,653**	**-**	**28,653**

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

23 Fair Value Disclosures (Continued)

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

24 Presentation of Financial Instruments by Measurement Category

All of the financial assets of the Company fall into the financial assets at AC category.

25 Events after the Reporting Period

Loans issued. On 31 January 2024, the loan issued to the ultimate controlling party (on 30 October 2023) with the principal amount of USD 25,000 thousand, together with the accrued interest was rolled over for another 12 months interest period, with the updated annual interest of 5.86416% and maturity date on 31 January 2025.

Change in key Management. Based on the owner’s decision, the current Managing Director of the Company, Julián Fernández, will leave JSC Poti Sea Port Corporation, and will assume the role of Managing Director of APM Terminals Spanish Gateways, effective from 1 April 2024.

Poti Sea Port Corporation JSC

Management Report – Business Overview 2023

1. The entity's business development, performance and position:

General information. Poti Sea Port Corporation JSC (the "Company") was registered in 1999 as a legal entity of public law and on 27 December 2004 it was reorganised to a limited liability company ("LLC") owned by the Government of Georgia. On 3 April 2008, the Company was reorganised into a joint stock company set up in accordance with Georgian regulations and is registered by Poti Court with identification number: 215080999.

Principal activity. Strategically located, Poti Sea Port is the largest port in Georgia handling liquid and dry bulk, ferries as well as containers. It has 15 berths, with total berth length of 2,900 meters. The port currently serves as the European gateway for international trade in Georgia, Armenia and Azerbaijan, and is ideally located to become a future hub for Central Asia trade.

Sales by services offered. Summary of services offered by the Company is as follows:

- Quay & Marine
- Cargo loading and unloading from/to vessel
- Yard handling
- Cargo/container storage
- Docking
- Ferry
- Ro-Ro

8 berths from 15 are leased out under operating lease and the company earns rental income from it.

'000 GEL

	Revenue Category	Amount
1	Revenue from Container and General Cargo	132,673
2	Revenue from Marine Services	46,787
3	Lease Revenue	20,156
4	Yard Handling Revenue	22,008
5	Revenue from Additional Services	4,346

Performance. The Company has experienced high growth over the last decade and the fundamentals for continued solid growth remain.

In 2023 the company recorded operating revenue of GEL 225,970 thousand. The net profit amounted to GEL 113,007 thousand, which is 19.6% more compared to 2022. The average number of employees was 784, including 88 females (2022: 758 including 88 females).

Overall performance in 2023 exceeded expectations: forecasted financial metrics were outperformed and progressed well towards business transformation, increasing container volumes whilst maintaining a focus on general cargo, delivering an EBITDA of GEL 141,809 thousand, and a margin of 63%. Revenue grew by 12% compared with 2022, in line with the increased volumes handled at the port. The growth was due to the continued container import market growth, both in Georgia and the hinterland, in addition to securing regional exports from Central Asia which have historically moved via Russia but have partially diverted through the Middle Corridor via Poti due to the impact of sanctions on Russia as a result of the war in Ukraine. In 2023, the significant increase in container volume led to reduced capacity for handling non-container cargo. As a result, core non-container customer business was supported, but there was an overall decrease in non-container volumes.

2. Entity's future development plans:

To support the Port's ambition to be the leading gateway to the Caucasus region, the company presented an expansion project to the north of the current port location. Following the successful completion of 1,800 meters of breakwater, the project includes the construction of an additional 400 meters of quay, 25 hectares of yard together with modern handling equipment and infrastructure.

The expansion project is targeted at increasing capacity to handle both bulk and containerized cargo and will allow the Port to handle vessels with LOA of 250m and a 13.5 meters vessel draft. Thus, it will enable the port to offer an improved customer value proposition through improved capabilities to serve larger vessels and provide faster turn-around times hence catalysing infrastructure and supply chain improvements for the good of both Poti and Georgia.

Projected construction start date moved to late 2024 / early 2025 with preparations ongoing, with project completion expected no later than Q4 2026.

Furthermore, PSPC embarked in a mid to long-term effort to establish a multimodal product with expected outreach covering Kazakhstan, Uzbekistan, Turkmenistan thus turning Poti into a potential hub connecting Central Asia with Europe

3. Review of the research and development performed by the entity:

In 2023 the Company was not engaged in any research and development activities.

4. Information on the branches of an entity:

The Company does not have any legal Branches and it is located in Poti, Georgia.

5. Key financial and non-financial indicators:

	'000 GEL	**2023**	**2022**	**Explanation of variances**
1	Revenue	225,970	202,536	Increased turnover
2	Gross profit	147,793	140,017	Increased turnover
3	Net profit	113,007	94,441	Increased turnover
4	Gross profit margin	65%	69%	Increased cost of sales

The analyses of key non-financial indicators are the following:

		2023	**2022**
1	Number of vessel calls	Total: 731 PSPC: 523 Lessees: 208	Total: 815 PSPC: 474 Lessees: 341
2	Number of TEU	592,589	357,857
3	Number staff as of 31 December	786	758
4	Tonnage of non-containerized cargo	912,940	1,266,714

***TEU= Twenty Foot Equivalent Unit/Container*

(i) Relationship with employees. The number of staff in the Company is in the range of 750-800 The Company has a well-structured recruitment policy and only candidates with relevant qualification, experience and skills are recruited by the Company.

As an employer, Poti Sea Port Corporation offers exceptional advancement opportunities, a positive work environment, and competitive salary for hard-working people, where the employee rights are well protected.

(ii) Relationship with suppliers and customers. The Company has established strong professional relationship with customers by demonstrating customer care, loyalty.

(iii) Relationship with tax authority. Tax accounting system of the Company is well established and managed. The accounting department of the Company is staffed with employees with relevant qualification and sufficient experience, which regularly attend different trainings to be on track of changes in the tax legislation affecting the Company.

6. Detailed information on the acquisition of its own shares

In 2023 no acquisition of own shares made by the Company.

7. Additional explanations of amounts given in the annual financial statements

On 24 October 2023, the Company signed the loan agreement with Ultimate Controlling Party A.P. Moller - Maersk A/S. According to the agreement, loan with the amount of USD 25,000 thousand was issued on 30 October 2023 with annual interest of 5.91161%.

8. Review of the entity's credit, market, liquidity and cash flow risks and mechanisms for their management

Most of the Company's sales are made through bank transfers, before provision of the services to the customers; consequently, there are no delays in collection of receivables. The credit terms with customers ranges from 0 to current month +15 days.

9. Major risks and uncertainties, enterprise goal and policy with respect to financial risk management

Credit risks concentration

The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Company produces regular reports based on a structured analysis focusing on the customer's financial performance.

Any significant interaction with customers with deteriorating creditworthiness are reported to and reviewed by Management. The Company's management reviews the performance of counterparties and follows up on past due balances.

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, and (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Political risks

Due to the specifics of the Company's business, future performance of the Company is closely linked to the political situation in Georgia and the neighbouring countries.

Currency risk

In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2023			**At 31 December 2022**		
In thousands of Georgian Lari	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
US Dollars	107,993	2,562	105,431	38,317	9,492	28,825
Euros	-	848	(848)	1	155	(154)
Total	**107,993**	**3,411**	**104,583**	**38,317**	**9,647**	**28,671**

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant:

In thousands of Georgian Lari	**At 31 December 2023** **Impact on profit or loss**	**At 31 December 2022** **Impact on profit or loss**
US Dollar strengthening by 20% (2022: strengthening by 20%)	21,086	5,765
US Dollar weakening by 20% (2022: weakening by 20%)	-21,086	-5,765
Euro strengthening by 20% (2022: strengthening by 20%)	-170	-31
Euro weakening by 20% (2022: weakening by 20%)	170	31
Total	-	-

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of Georgian	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Total**
31.Dec.23						
Total financial assets	120,530	4,472	2,932	23,196	-	**151,130**
Total financial liabilities	(6,155)	(484)	(581)	(5,545)	-	**(12,765)**
Net interest sensitivity gap at 31 December 2023	**114,375**	**3,988**	**2,351**	**17,651**	**-**	**138,365**
31.Dec.22						
Total financial assets	27,709	422	564	29,452	-	**58,147**
Total financial liabilities	(19,531)	(982)	(442)	(6,738)		**(27,693)**
Net interest sensitivity gap at 31 December 2022	**8,178**	**(560)**	**122**	**22,714**	**-**	**30,454**

The Company does not have formal policies and procedures in place for the management of interest rate risks as management considers this risk as insignificant to the Company's business.

The Company has low exposure to floating rate interest bearing instruments. The Company does not have financial assets that are exposed to interest rate risk, therefore, management believes that the Company does not have significant exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the Company's cash flows. The Company seeks to maintain a stable funding base primarily consisting of trade and other payables. The Company's liquidity portfolio comprises cash and cash equivalents.

The liquidity position is monitored on regular basis by the management of the Company. The table below shows liabilities at 31 December 2022 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period. The maturity analysis of financial liabilities at 31 December 2023 is as follows:

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Lease liabilities	(97)	(194)	(871)	(5,545)	-	(6,707)
Trade payables	(6,058)					(6,058)
Total future payments, including future principal and interest payments	**(6,155)**	**(194)**	**(871)**	**(5,545)**	**-**	**(12,765)**

The maturity analysis of financial liabilities at 31 December 2022 is as follows:

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Lease liabilities	(88)	(530)	(442)	(6,738)	-	(7,798)
Trade payables	(19,443)	(452)	-	-	-	(19,895)
Total future payments, including future principal and interest payments	**(19,531)**	**(982)**	**(442)**	**(6,738)**	**-**	**(27,694)**

Julian Fernandez

Managing Director

Natela Nachkebia

Finance Manager

26 March 2024

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the Company's cash flows. The Company seeks to maintain a stable funding base primarily consisting of trade and other payables. The Company's liquidity portfolio comprises cash and cash equivalents.

The liquidity position is monitored on regular basis by the management of the Company. The table below shows liabilities at 31 December 2022 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period. The maturity analysis of financial liabilities at 31 December 2023 is as follows:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
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Managing Director

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JSC POTI SEA PORT CORPORATION
APM TERMINALS
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GEORGIA

26 March 2024