

MUNICIPAL DEVELOPMENT FUND OF GEORGIA
LOAN NO. 8494-GE
(THIRD REGIONAL DEVELOPMENT PROJECT)
SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL
OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Management of the Third Regional Development Project (the "Project") implemented by the Municipal Development Fund of Georgia (MDF) is responsible for the preparation of the special purpose project financial statements that present fairly the Project's statement of financial position as at 31 December 2022, the summary of sources and uses of funds, summary of expenditure by activity, statement of expenditure ("SOE") and statements of designated account, in compliance with the basis of accounting described in Note 2 the accompanying special purpose project financial statements.

In preparing the special purpose project financial statements, management is responsible for:


- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures that enable users to understand the impact of particular transactions, other events and conditions on the Project, financial position and its sources and uses of funds and movements in designated accounts.

Management is also responsible for:

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

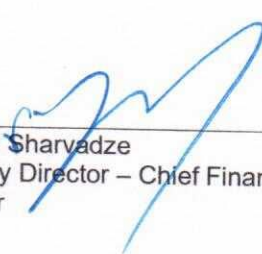
The special purpose project financial statements for the year ended 31 December 2022 were authorized for issue on 30 June 2023 by the Management.

On behalf of Management:



Davit Tabidze
Executive Director





Levan Sharvadze
Deputy Director – Chief Financial
Officer



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INDEPENDENT AUDITOR'S REPORT

To the management of the Municipal Development Fund of Georgia

Opinion

We have audited the accompanying special purpose project financial statements of the Third Regional Development Project (the "Project") financed under the Loan Agreement No. 8494-GE dated 7 August 2015 (the "Agreement"), implemented by the Municipal Development Fund of Georgia, which comprise the Project's summary of sources and uses of funds for the year ended 31 December 2022, statement of financial position as at 31 December 2022, summary of expenditure by activity, statement of expenditure ("SOE") and statements of designated account for the year ended 31 December 2022 and a summary of significant accounting policies and other explanatory notes (collectively referred to as the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements for the year ended 31 December 2022 are prepared, in all material respects, in accordance with Loan Agreement No. 8494-GE dated 7 August 2015, as further detailed in Note 2.

Basis for opinion

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

Other matter

The special purpose financial statements of the Project for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on these special purpose financial statements on 30 June 2022.

Data included on pages 6 to 16 of the accompanying special purpose project financial statements that are marked as "Unaudited" have not been audited.

Emphasis of matter

Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the special purpose project financial statements, which describes the basis of accounting. The special purpose project financial statements are prepared to assist the Project's management to comply with the financial reporting provisions of the Agreements. As a result, the special purpose project financial statements may not be suitable for another purpose.

This report is intended solely for use by the Project's management in reporting the information to the Government of Georgia and International Bank for Reconstruction and Development (IBRD). This report is not intended for the benefit of any other third parties and we accept no responsibility or liability to any party other than the Project's management in respect of the report. Should any third party take decisions based on the contents of the report, the responsibility for such decisions shall remain with those third parties. Our opinion is not modified in respect of this matter.

Responsibility of management and those charged with governance for the special purpose project financial statements

Management is responsible for the preparation of these special purpose project financial statements in accordance with the basis of accounting described in Note 2 and in conformity with the financial reporting provisions of the Agreement and for such internal control as management determines is necessary to enable the preparation of special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the special purpose project financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose project 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 special purpose project financial statements.

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

- Identify and access the risks of material misstatement of the special purposes project 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 Fund's internal control; and
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.

Moore Azerbaijan

30 June 2023



**MUNICIPAL DEVELOPMENT FUND
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
SUMMARY OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

	Actual		Planned**		Variance		Project appraisal document
	Year ended 31.12.2022	Cumulative as at 31.12.2022	Year ended 31.12.2022	Cumulative as at 31.12.2022	Year ended 31.12.2022	Cumulative as at 31.12.2022	
Opening Working Capital							
Cash	4,016,519	-					
Prepayments	3,833,591	-					
Receivables from municipalities	-	-					
Trade and other receivables	25,407	-					
Payables	(216,653)	-					
Total	7,658,864	-					
Sources of Funds							
IBRD Funds	12,232,060	42,406,699					60,000,000
Government of Georgia	3,361,695	10,418,568					15,000,000
Other Income*	13,825	96,555					-
Total	15,607,580	52,921,822					75,000,000
Expenditure							
Works, Goods, non-consulting service, consulting service, training	7,940,259	36,377,098	14,392,302	42,829,141	6,452,043	6,452,043	73,812,500
Operating cost	286,571	1,288,909	249,815	1,252,153	(36,756)	(36,756)	1,000,000
Front-end fee	-	150,000	-	150,000	-	-	150,000
Total	8,226,830	37,816,007	14,642,117	44,231,294	6,415,287	6,415,287	74,962,500
Foreign exchange loss, net	(3,769)	(69,970)					

*Other income represents penalties paid by contractors.

**The initial budgeted figures are updated several times during the year. Planned figures for the year ended 31 December 2022 included in the IFR (Interim financial report) represent the final budgeted figures reflected in the State Budget for FY2022 adjusted to the accrual model, which have not been audited.

**MUNICIPAL DEVELOPMENT FUND
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
SUMMARY OF SOURCES AND USES OF FUNDS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

	Actual		Planned		Variance		Project appraisal document
	Year ended 31.12.2022	Cumulative as at 31.12.2022	Year ended 31.12.2022	Cumulative as at 31.12.2022	Year ended 31.12.2022	Cumulative as at 31.12.2022	
CLOSING WORKING CAPITAL							
Cash	2,018,347						
Prepayments	13,542,671						
Trade and other receivables	15,045						
Payables	(540,218)						
Total		15,035,845					



On behalf of Management:



Davit Tabidze
Executive Director


Levan Sharvadze
Deputy Director – Chief Financial Officer

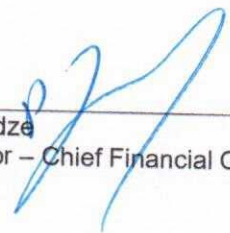
**MUNICIPAL DEVELOPMENT FUND
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

	Note	31 December 2022	31 December 2021
ASSETS			
IBRD designated account	3,9	2,018,347	4,016,519
Prepayments	7	13,542,671	3,833,591
Trade and other receivables		15,045	25,407
Total assets		15,576,063	7,875,517
LIABILITIES			
Payables		(540,218)	(216,653)
Total liabilities		(540,218)	(216,653)
NET ASSETS		15,035,845	7,658,864
Funds received:			
IBRD Funds		42,406,699	30,174,639
Government of Georgia		10,418,568	7,056,873
Other Income		96,555	82,730
Total funds received		52,921,822	37,314,242
Expenditure:			
Works, Goods, non-consulting service, consulting service, training		36,377,098	28,436,839
Operating cost		1,288,909	1,002,338
Front-end fee	8	150,000	150,000
Total Expenditures		37,816,007	29,589,177
Foreign exchange loss, net		(69,970)	(66,201)
TOTAL NET ASSETS		15,035,845	7,658,864

On behalf of Management:


Davit Tabidze
Executive Director




Levan Sharvadze
Deputy Director – Chief Financial Officer

**MUNICIPAL DEVELOPMENT FUND
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
STATEMENT OF EXPENDITURE BY ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

Project activities	Actual		Planned		Variance	
	Year ended 31.12.2022	Cumulative as at 31.12.2022	Year ended 31.12.2022	Cumulative as at 31.12.2022	Year ended 31.12.2022	Cumulative as at 31.12.2022
Component 1:						
Infrastructure investment	7,313,465	35,750,304	13,342,117	41,778,956	6,028,652	6,028,652
Component 2:						
Infrastructure development	913,365	1,915,703	1,300,000	2,302,338	386,635	386,635
Front end fee	-	150,000	-	150,000	-	-
TOTAL EXPENDITURE	8,226,830	37,816,007	14,642,117	44,231,294	6,415,287	6,415,287

*The initial budgeted figures are updated several times during the year. Planned figures for the year ended 31 December 2022 included in the IFR (interim financial report) represent the final budgeted figures reflected in the State Budget for FY2022 adjusted to the accrual model, which have not been audited.

On behalf of Management:


Davit Zavidze
Executive Director


Levan Sharvadze
Deputy Director – Chief Financial Officer



**MUNICIPAL DEVELOPMENT FUND
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
STATEMENT OF EXPENDITURE (SOE)
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

Withdrawal applications for Loan No. 8494-GE

Withdrawal No.	Withdrawal Application Date	Total SOER	Category 1: Works and Goods; consulting and training	Category 2: Operating costs
WA-040	18.02.2022	1,138,146	1,133,059	5,087
WA-044	15.06.2022	1,501,020	1,497,926	3,094
WA-051	18.10.2022	3,505,929	3,504,977	952
WA-052	16.12.2022	3,987,638	3,987,638	-
Total:		10,132,733	10,123,600	9,133

On behalf of Management:

[Signature]
Davit Tabidze
Executive Director



[Signature]
Levan Sharvadze
Deputy Director – Chief Financial
Officer

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
STATEMENT OF DESIGNATED ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

Account No.
Depository Bank
Address

202255093
State Treasury
16 V. Gorgasali street
Tbilisi, 0114 Georgia

Note 31 December 2022

Opening balance

Fund received from IBRD

4,016,519

10,132,733

Present outstanding amount advanced to Designated Account ("DA")

14,149,252

DA closing balance as at 31 December 2022

2,018,347

Add: Amount of eligible expenditures paid

12,130,905

9

Total advance accounted for

14,149,252



On behalf of Management:

David Tabidze
Executive Director

Levan Sharvadze
Deputy Director – Chief Financial Officer

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

1. BACKGROUND

Municipal Development Fund of Georgia (the "Fund" or "MDF") was established on 7 June 1997 by the Presidential Decree No. 294 "On management of funds for the development of municipal sector in Georgia".

The Fund is a legal Fund of public law, the objective of which is to support strengthening institutional and financial capacity of local government units, investing financial resources in local infrastructure and services, improving on sustainable basis the primary economic and social services for the local population and the provision of low-interest loans to legal entities and physical persons of Georgia in the framework of the Government Program.

The founder and governing body of the Fund is the Government of Georgia. The Fund is cooperating with majority of large investment banks and financial institutions operating in Georgia.

The International Bank for Reconstruction and Development Loan Agreement No. 8494-GE (the "Agreement") in the amount of 60 million United States Dollars ("USD") was signed between the Government of Georgia ("GoG") and International Bank for Reconstruction and Development ("IBRD") on 7 August 2015 ("inception").

The main objectives of the loan are: providing finance for Investment Subprojects for the urban regeneration of old towns and villages in the Samtskhe-Javakheti and Mtkheta-Mtianeti regions; support Local Self Governments in financing investment subprojects for the creation of public infrastructure to attract private sector investments; enhance the institutional capacity and performance of the Georgia National Tourism Administration, the Agency for Culture Heritage Preservation of Georgia, the National Museum, MDF and other local and regional entities. The closing date of the loan was 31 December 2019. On 22 October 2019 the closing date of the loan has been prolonged up to 31 December 2022. On 18 April 2022 the project closing date was extended one more time up to 30 October 2024.

2. ACCOUNTING POLICIES

Basis of accounting - These special purpose project financial statements have been prepared in accordance with the provisions of the Loan Agreement No. 8494-GE dated 7 August 2015 to the extent applicable to these special purposes financial statements and as agreed by the Fund, Government of Georgia and International Bank for Reconstruction and Development (IBRD).

The special purpose project financial statements have been prepared on the accrual basis of accounting.

These special purpose project financial statements, in accordance with the provisions of the Agreement, are prepared to report the information to the Government of Georgia and International Bank for Reconstruction and Development. As a result, these special purpose project financial statements may not be suitable for another purpose.

Sources of funds - Project financing is recognized as sources of funds in the period when the cash inflow can be reasonably estimated and they become available and measurable. The accumulated project financing is disclosed under "Funds" in the statement of financial position. In addition, current year funds received is disclosed in the Statement of Sources and Uses of Funds, showing under sources funds and expenditures respectively.

Expenditure - is recognized on an accruals basis as a use of project funds when liabilities are incurred. The accumulated project expenditures are disclosed under "Expenditure" in the statement of financial position.

Functional currency - The functional currency of the project and its presentational currency is United States Dollars ("US Dollar" or "USD").

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

2. ACCOUNTING POLICIES (CONTINUED)

Transactions in other currencies – Transactions in currencies other than the reporting currency are converted to US Dollars at the exchange rate prevailing at the date of the transaction. Monetary items are translated into US Dollars at the National Bank of Georgia (NBG) official exchange rate at the reporting date.

Prepayments – Prepayments represent the amounts paid to contractors for work.

Cash – Cash comprises of balances with State Treasury.

3. DESIGNATED ACCOUNT

Designated account is a special disbursement account of the Project maintained in US Dollars at the State Treasury to ensure the payment of eligible expenditures, within defined limits, which do not require individual authorization from IBRD in accordance with the Agreement.

4. BASIS OF FUNDING

According to the terms of the Agreement, the expenditure is co-financed by proceeds received from IBRD and the Government of Georgia (GoG) at a proportional rate of 80% and 20% respectively.

	IBRD	GoG	Total
Works and goods, non-consulting service, consulting service, training	59,050,000	14,800,000	73,850,000
Operating costs	800,000	200,000	1,000,000
Front-end fee	150,000	-	150,000
Total funding:	60,000,000	15,000,000	75,000,000

5 METHODS OF WITHDRAWAL

The methods of withdrawal used from the inception of the loan to 31 December 2022 were as follows:

(a) Designated Account

Municipal Development Fund withdraws the eligible amounts from the designated account and prepares and sends replenishment requests to the World Bank with authorized signatures. The replenishment requests and respective documentation are reviewed by the International Bank for Reconstruction and Development and an approved amount is transferred to the designated account.

(b) Direct Payment

Available amounts are drawn from time to time within limits determined under the loan agreement for direct payments of eligible expenditures for sub-projects. Direct payments are made by the International Bank for Reconstruction and Development directly to third parties. MDF forms withdrawal applications for request of direct payments and sends it to the World Bank, for settlement.

(c) GoG Current Account

The Project maintains a separate account where funds from the Government of Georgia are accumulated. The funds are further disbursed to sub-contractors based on the share of expenditures to be incurred.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

6. STATEMENT OF EXPENDITURE

Withdrawals are to be made on the basis of SOEs for expenses on contracts within the following contractual limits:

- (i) All expenditure for works valued at less than USD 4,000,000;
- (ii) Consultant services contracts (firms) valued at less than USD 200,000;
- (iii) Consultant services contracts (individuals) valued at less than USD 50,000; and
- (iv) All expenditure for goods and non-consulting services valued at less than USD 300,000.

7. PREPAYMENTS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Advances to contractors	13,542,671	3,833,591
Total prepayments	13,542,671	3,833,591

Payments of advances to contractors are made at the beginning of the contract in amount of 10%-20% of total contract amount. Retention of advance is done periodically upon submission of works completed certificates by contractors.

8. PROJECT EXPENDITURE BY FUND

Project activities	Actual	
	Year to date	Cumulative to date
Works and Goods (part A.1 (a) & part A1 (b)) and consulting services, training	6,351,649	28,721,153
Operating cost	212,525	978,189
Front end fee	-	150,000
IBRD TOTAL	6,564,174	29,849,342
Works and Goods (part A.1 (a) & part A1 (b)) and consulting services, training	1,588,610	7,655,945
Operating cost	74,046	310,720
GoG Total	1,662,656	7,966,665
TOTAL PROJECT EXPENDITURE	8,226,830	37,816,007

The Project consists of the following main components:

Component 1 – Infrastructure investment

- a) Provision of Investment Subproject Financing on a grant basis to participating LSG-s to finance Investment Subprojects for urban regeneration of old towns and villages in the Samtskhe – Javakheti and Mtskheta – Mtianeti regions, including but not limited to restoration of building facades and roofs, public spaces, museums, roads and water supply, enhancement of cultural and natural heritage sites;
- b) Provision of Investment Subproject Financing on a grant basis to participating LSG to finance Investment Subprojects for the creation of public infrastructure to attract private sector investments in tourism or agribusiness in the Samtskhe – Javakheti and Mtskheta – Mtianeti regions including but not limited to construction of roads, sidewalks, water, sanitation, communication and public facilities.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

8. PROJECT EXPENDITURE BY FUND (CONTINUED)

Component 2 – Institutional development

- Provision of goods, non – consulting services, consultants' services, and Training, as well as financing of Operating Costs to enhance the institutional capacity and performance of GNTA, NACHP, Georgian National Museum, project Implementing Entity, and other concerned local and regional entities to carry out activities including the following: setting up of a destination management office in each of the regions of Samtskhe – Javakheti and Mtskheta – Mtianeti to assist in the creation of institutional framework to ensure proper destination management, public – private partnership and sustainability of investments made in each region; development and implementation of marketing and promotion tools in each of the Samtskhe – Javakheti and Mtskheta – Mtianeti regions to promote each regions as a new sustainable tourism destination and to assist in creating a mechanism for community participation, stakeholders' consultation and involvement of local government in developing tourism in the region; preparation of sustainable site management plans for cultural heritage sites financed under the Project as well as provision of on –the job training to NACHP, provision of Training fo skilled workforce development and capacity building to selected beneficiaries (including the hotel staff, tour operators and guides, and officials at the GNTA, NACHP, Georgia National Museum and project implementing Agency) aimed at producing an integrated workforce development program around the skills needed in tourism – related business in the Samtskhce – Javakheti and Mtskheta- Mtianeti regions and etc.

9. RECONCILIATION OF DESIGNATED ACCOUNT

	IBRD	GoG	Total
Expenditures incurred during the year	6,564,174	1,662,656	8,226,830
Direct payment	(2,099,327)	-	(2,099,327)
Change in prepayments	7,928,756	1,780,324	9,709,080
Change in other receivables	(10,362)		(10,362)
Change in payables	(247,644)	(75,921)	(323,565)
Foreign exchange	(4,692)	923	(3,769)
Amount of eligible expenditure paid	12,130,905	3,367,982	15,498,887

10. COMMITMENTS AND CONTINGENCIES

Management is not aware of any commitments and contingencies which would have a material impact on the financial position of the Project and the Special Account Statement as at 31 December 2022 and on the funds received and disbursed during the year then ended.

11. OPERATING ENVIRONMENT

Emerging markets such as Georgia are subject to different risks than more developed markets; these include economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to evolve rapidly with tax and regulatory frameworks subject to varying interpretations. The future direction of Georgia's economy is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
THIRD REGIONAL DEVELOPMENT PROJECT
LOAN NO.8494-GE
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(In US Dollars)**

11. OPERATING ENVIRONMENT (CONTINUED)

For the last few years Georgia has experienced a number of legislative changes, which have been largely related to Georgia's accession plan to the European Union. Whilst the legislative changes implemented during the years paved the way, more can be expected as Georgia's action plan for achieving accession to the European Union continues to develop.

In 2022, after most of the restrictions on business were lifted, the economy started recovery at a rapid pace. The Government of Georgia provided the necessary assistance to the business sector. The Government submitted numerous programs that provide tax breaks, loan restructuring programs, interest subsidies.

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

12. SUBSEQUENT EVENTS

There were not any adjusting or significant non-adjusting events between the reporting date and the date of these special purpose projects financial statements.