

CELLFIE MOBILE LLC

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

31 December 2023

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Owners and Management of Cellfie Mobile LLC

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cellfie Mobile LLC (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.

Our audit approach

Overview

Materiality	• Overall Company materiality: GEL 1,540 thousand, which represents 1% of total service revenue.
Key audit matters	• Revenue recognition - accuracy and occurrence of service revenue.



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	GEL 1,540 thousand
How we determined it	1% of total service revenue
Rationale for the materiality benchmark applied	We chose total service revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by the users, and is a generally accepted benchmark. We chose 1% to be applied to a chosen benchmark as this is consistent with quantitative materiality thresholds used for public interest companies.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition - service revenue accuracy and occurrence assertions Refer to Note 19 to the financial statements for the related disclosures. Service revenue, consisting of revenue from pay-as-you-go, revenue from bundles, A2P messaging, and other, for the year ended 31 December 2023, amounted to GEL 142,217 thousand. It consists of a high volume of relatively small transactions that have multiple pricing plans. These transactions in terms of their amounts are subject to considerable inherent risk regarding the accuracy and occurrence assertions recorded due to: • the complexity of the billing and other operating support systems, processes and controls necessary for identifying and properly recording service revenue; • level of manual processing of revenue data prior to its transfer into the accounting software; • the impact of ever-changing business, price and tariff models (including tariff structures, customer discounts, and incentives). We consider this a key audit matter since the magnitude, as well as the increased risk, require substantial audit attention and effort with respect to the controls and substantive testing procedures to be performed over the accuracy and occurrence of service revenue.	Our audit approach included sample-based testing of internal controls and substantive procedures, which include: • Understanding and evaluating the IT environment in which subscriber billing and other relevant support systems reside, including the change management and restricted access procedures in place. We have involved our own IT specialists. • Testing the design and operational effectiveness of the internal controls in the service revenue and accounts receivables business process. • Sample-based testing of the end-to-end processing of the network captured activity of subscribers, from the mediation of subscriber activity to the billing systems and ultimately to the general ledger. • Reconciling service revenue as per the billing system to the accounting software and financial statements. • Testing manual corrections, on a sample basis, to the billing system by inspecting the related internal supporting documents and assessing their appropriateness under IFRS Standards. • Target testing of material manual revenue related journal entries posted in the general ledger during the year. • Performing sample-based tests on the accuracy of prepaid subscriber activity by assessing the nature of the services rendered and whether the appropriate tariffs were applied. • Reconciling the consideration received for mobile services, to the total amount of revenue recognised from mobile subscribers, considering the effect of changes in related trade receivables customer balances.

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 and paragraph 7 (c), (g) of article 7 of the Law of Georgia on Accounting, Reporting and Auditing;
- the information given in the Management Report includes the information required by paragraph 7 (a), (b), (d) – (f) 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lasha Janelidze.

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

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

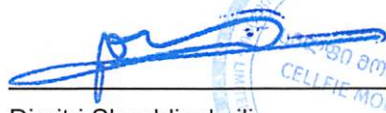
9 July 2024
Tbilisi, Georgia

CELLFIE MOBILE LLC
Statement of Financial Position

(All amounts in thousands of Georgian Lari unless otherwise stated)

	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property and equipment	8	106,077	86,510
Right of use assets	10	24,689	23,743
Intangible assets	9	12,140	8,370
Other non-financial assets	12	3,257	3,507
Total non-current assets		146,163	122,130
Current assets			
Inventories		301	383
Trade and other receivables	11	9,602	15,221
Other non-financial assets	12	7,356	5,472
Cash and cash equivalents	13	20,210	17,422
Total current assets		37,469	38,498
TOTAL ASSETS		183,632	160,628
EQUITY			
Subscribed capital	14	986,129	2
Additional paid in capital	14	-	488,165
Other reserves	14	-	(81,792)
Accumulated deficit		(954,751)	(997,769)
TOTAL EQUITY		31,378	(591,394)
LIABILITIES			
Non-current liabilities			
Borrowings	15	81,709	658,603
Lease liabilities	16	16,194	14,909
Provisions for asset retirement obligations	17	2,043	1,921
Total non-current liabilities		99,946	675,433
Current liabilities			
Borrowings	15	2,903	9,192
Lease liabilities	16	9,577	9,316
Trade and other payables	18	30,926	49,449
Other non-financial liabilities	12	8,902	8,632
Total current liabilities		52,308	76,589
TOTAL LIABILITIES		152,254	752,022
TOTAL LIABILITIES AND EQUITY		183,632	160,628

Authorised for issuance on behalf of the Management on 9 July 2024 by:


Dimitri Shughliashvili
Chief Executive Officer


Irakli Chedia
Chief Financial Officer

The accompanying notes on pages 5 to 35 are an integral part of these financial statements.

CELLFIE MOBILE LLC**Statement of Financial Position***(All amounts in thousands of Georgian Lari unless otherwise stated)*

	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
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Dimitri Shughliashvili
Chief Executive Officer

Irakli Chedia
Chief Financial Officer

The accompanying notes on pages 5 to 35 are an integral part of these financial statements.

CELLFIE MOBILE LLC**Statement of Profit or Loss and Other Comprehensive Income***(All amounts in thousands of Georgian Lari unless otherwise stated)*

	Note	2023	2022
Service revenue	19	153,678	140,658
Depreciation of property and equipment and right-of-use assets	8,10	(29,277)	(30,622)
Service costs	20	(26,197)	(25,273)
Employee benefits expense		(19,470)	(21,014)
Utility expenses		(9,555)	(8,099)
Marketing expense		(7,714)	(3,202)
Maintenance expense		(6,905)	(8,094)
Amortisation of intangible assets	9	(4,257)	(4,141)
Net loss on disposal and impairment of property and equipment	8	(957)	(96)
Other operating expenses	21	(15,059)	(11,553)
Operating profit		34,287	28,564
Finance costs	22	(41,992)	(58,415)
Finance income	23	1,344	968
Foreign exchange gain, net		13,257	87,200
Other non-operating (expense)/income		(178)	507
Profit before income tax		6,718	58,824
Income tax expense	24	-	-
NET INCOME FOR THE YEAR		6,718	58,824
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,718	58,824

The accompanying notes on pages 5 to 35 are an integral part of these financial statements.

CELLFIE MOBILE LLC**Statement of Changes in Equity***(All amounts in thousands of Georgian Lari unless otherwise stated)*

	Note	Subscribed capital	Additional paid in capital	Other reserves	Accumulated deficit	Total equity
At 1 January 2022	14	2	616,734	-	(1,057,684)	(440,948)
Net income for the year		-	-	-	58,824	58,824
Total comprehensive income for the year		-	-	-	58,824	58,824
Net effect of fair value measurement of borrowings from shareholder	15	-	(128,569)	-	-	(128,569)
Recognition of joint borrowings	15	-	-	(86,242)	-	(86,242)
Repayments of joint borrowings	15	-	-	5,541	-	5,541
Transfer of interest expense and foreign exchange effect on joint borrowings		-	-	(1,091)	1,091	-
At 31 December 2022	14	2	488,165	(81,792)	(997,769)	(591,394)
Net income for the year		-	-	-	6,718	6,718
Total comprehensive income for the year		-	-	-	6,718	6,718
Repayments of joint borrowings	15	-	-	91,694	-	91,694
Transfer of interest expense and foreign exchange effect on joint borrowings		-	-	(9,902)	9,902	-
Forgiveness of liability to shareholder	14	-	-	-	16,659	16,659
Capital contribution of shareholder's loan	14,15	986,127	(488,165)	-	9,739	507,701
At 31 December 2023	14	986,129	-	-	(954,751)	31,378

The accompanying notes on pages 5 to 35 are an integral part of these financial statements.

CELLFIE MOBILE LLC
Statement of Cash Flows

(All amounts in thousands of Georgian Lari unless otherwise stated)

	Note	2023	2022
Cash flows from operating activities			
Profit before income tax		6,718	58,824
Adjustments for:			
Depreciation of property and equipment and right-of-use assets	8,10	29,277	30,623
Amortisation of intangible assets	9	4,257	4,142
Impairment charge/(recovery) on property and equipment	8	957	(1,356)
Loss on disposal of property and equipment	8	-	1,452
Loss/(recovery) on impairment of trade and other receivables	11	1,920	(665)
Changes in provision for asset retirement obligations	17	(149)	(122)
Finance income	23	(1,344)	(968)
Finance costs	22	41,992	58,415
Other non-cash operating costs/(income)		697	(1,097)
Foreign exchange gain, net		(13,257)	(87,200)
Operating cash flows before working capital changes in:		71,068	62,048
Trade and other receivables		1,970	(7,071)
Other non-financial assets		(1,597)	1,872
Inventories		(20)	4
Trade and other payables		(5,968)	6,423
Other non-financial liabilities		380	656
Changes in working capital		(5,236)	1,884
Interest received		1,153	773
Interest paid		(3,464)	(2,583)
Net cash from operating activities		63,520	62,122
Cash flows from investing activities			
Proceeds from sale of property, equipment and intangible assets		95	-
Purchase of property, equipment and intangible assets		(41,753)	(44,547)
Net cash used in investing activities		(41,658)	(44,547)
Cash flows from financing activities			
Proceeds from borrowings	15	136,869	-
Repayment of borrowings	15	(145,882)	(8,110)
Repayment of lease liabilities	16	(9,879)	(11,687)
Net cash used in financing activities		(18,892)	(19,797)
Net increase/(decrease) in cash and cash equivalents		2,970	(2,222)
Effect of exchange rate changes on cash and cash equivalents		(182)	127
Cash and cash equivalents at beginning of the year	13	17,422	19,517
Cash and cash equivalents at the end of the year	13	20,210	17,422

The accompanying notes on pages 5 to 35 are an integral part of these financial statements.

1 Corporate Information

Cellfie Mobile LLC ("Cellfie Mobile", "the Company"), former VEON Georgia LLC, was registered on 19 November 2003 and is domiciled in Georgia. The Company is a limited liability company, set up in accordance with Georgian regulations, and is registered by the Krtsanisi-Mtatsminda district court with identification number: 204450584.

In April 2023, the Company underwent the brand transformation and changed its legal name as Cellfie Mobile LLC.

In June 2022, following an "M&A transaction", Veon Ltd has completed the sale of VEON Georgia LLC. In July 2023, the Company's shareholder structure was reorganized and Miren Invest LLC became the ultimate parent company.

As at 31 December 2023, the Company's immediate parent companies are Watertrail Industries Ltd (BVI) with a 71% ownership and Investico Alliance Ltd (BVI) with a 29% ownership and the Company is ultimately controlled by Mr. Khvicha Makatsaria.

Neither the Company's immediate parent nor the ultimate parent company produce consolidated financial statements that are available for public use and comply with IFRS.

In 2023, the Company, along with its ultimate controlling beneficial owner, Khvicha Makatsaria, established a subsidiary company, Pays LLC, with direct ownership of 51% and 49% respectively. As of 31 December 2023 Pays LLC was a dormant entity.

During 2023, the Company placed GEL 65 million secured bonds on the Georgian Stock Exchange and the Company was rated with 'BB-' with a stable outlook by Scope Ratings GmbH as at 31 December 2023.

Registered address and place of business. The Company's registered address is #8 Bambis Rigi, Tbilisi, Georgia and principal place of business is #118 A. Tsereteli Avenue, Tbilisi, Georgia.

Principal activity. The Company earns revenues by providing mobile telecommunication services of GSM standard under the trademark "Cellfie Mobile" throughout most of the entire territory of Georgia.

The Company operates in accordance with the following licences issued by Georgian National Communications Commission (GNCC):

- License #F5, #42 and #59 (radio frequency spectrums: 1775-1785 MHz, 1870-1880 MHz, 884.50-889.99 MHz and 929.50-934.99 MHz, together referred as "2G") combined as per GNCC's decision #55/2 issued on 29 January 2015 with prolonged maturity to 1 February 2030;
- License #F97 (Long-Term Evolution radio frequency spectrums: 806-816 MHz and 847-857 MHz, together referred as "4G LTE"), a standard for wireless communication of high-speed data for mobile phones and data terminals, issued on 29 January 2015 by GNCC's decision #56/1 with maturity on 1 February 2030;
- License #101 and #102 (radio frequency spectrums: 1925 -1930 MHz and 2115 - 2120 MHz - License F101; and 1930 - 1935 MHz and 2120 - 2125 MHz - License F102, together referred as "3G") issued on 29 December 2016 by GNCC's decisions 854/1 and 855/1 with maturity on 29 December 2031;
- License #F106 (radio frequency spectrums: 703 - 708 MHz (Up-link), 758-763 MHz (Down-link) and 3550 - 3600 together referred as "5G") issued on 7 September 2023 by GNCC's decision #1/432 with maturity on 7 September 2038;
- License #F107, F108 (radio frequency spectrums: 2575 - 2595 and 1770 - 1775 MHz together referred as "5G" TDD (Time Division Duplex) Technology) issued on 7 September 2023 by GNCC's decision #1/433 and 1/434 with maturity on 7 September 2038;
- License #F109 (radio frequency spectrums: 1770 - 1775 MHz (Up-link) and 1865 - 1870 MHz (Down-link) together referred as "LTE") issued on 7 September 2023 by GNCC's decision #1/435 with maturity on 7 September 2038.

2 Operating Environment of the Company

The Company's principal business activities are within Georgia. Consequently, the Company is exposed to economic and financial markets of Georgia, which displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. Georgian legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes, which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the same area. 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.

Since 2021, Georgian economy has demonstrated positive dynamics in recovery from the Covid-19 pandemic, which positively impacted the Company's operations.

Despite Georgia's vulnerability to developments in Ukraine and Russian Federation and economic links with these countries, the economy of Georgia expanded significantly, with real GDP increasing by 7.5% in 2023. The main factors supporting the strong growth are the resilience of Georgia's terms of trade at the time of rising commodity prices, higher remittance inflows, as well as immigration of citizens of Russian federation, Belarus and Ukraine that strengthened tourism recovery.

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

3 Basis of Preparation

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

4 Material Accounting Policies

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.

Foreign currency translation. The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company, and the Company's presentation currency, is the national currency of Georgia, Georgian Lari ("GEL").

Transactions and balances. Transactions denominated in foreign currencies are initially recognised at the functional currency rate prevailing on the date of the transaction. At period end, monetary assets and liabilities are translated to the functional currency using the closing rate with differences taken to the Statement of Profit or Loss and Other Comprehensive Income within 'finance income or costs'. Non-monetary items that are measured in terms of historical cost in foreign currency are translated to the functional currency at the rate prevailing on the initial transaction dates. Non-monetary items carried at fair value are translated to the functional currency at the date when the fair value was determined.

At 31 December 2023, the principal rate of exchange, as determined by the National Bank of Georgia, used for translating foreign currency balances was US Dollar 1 = GEL 2.6894 and EURO 1 = GEL 2.9753 (as at 31 December 2022: US Dollar 1 = GEL 2.7020 and EURO 1 = GEL 2.8844). At present, the Georgian Lari is not a freely convertible currency in most countries outside of Georgia.

4 Material Accounting Policies (continued)

Revenue recognition. Cellfie Mobile generates revenues from providing retail and wholesale mobile telecommunication services through a range of wireless and broadband networks. Products and services may be sold separately or in bundled packages.

Service revenues

Service revenues include revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect revenues, roaming charges and charges for value added services ("VAS"). VAS includes short messages ("SMS"), multimedia messages ("MMS"), caller number identification, call waiting, data transmission, mobile internet, downloadable content and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers and gross when the Company acts as the principle of the transaction. More specifically, the accounting for revenue sharing agreements and delivery of content depends on the analysis of the facts and circumstances surrounding these transactions, which will determine if the revenue is recognised gross or net.

Revenue for services with a fixed term, including fixed-term tariff plans and monthly subscriptions, is generally recognised over time, on a straight-line basis.

Sales of prepaid cards, used as a method of cash collection, is accounted for as customer advances for future services and the respective revenue is deferred until the customer uses the airtime. Subscriber balances are written-off to expenses in case of negative (receivable) balances and to income in case of positive (advances received) balances after certain period of inactivity. Mentioned period is three months for negative and six months for positive balances.

Pay-as-you-go (PAYG)

For pay-as-you-go plans, in which the customer is charged based on actual usage, revenue is recognised over time, on a usage basis. Some tariff plans allow customers to rollover unused services to the following period. For these tariff plans, revenue is generally recognised over time, on a usage basis.

Interconnect and roaming revenue

Interconnect revenue is generated when the Company receives traffic from mobile or fixed subscribers of other network operators and that traffic terminates on Cellfie Mobile's network.

Roaming revenues include both revenues from Cellfie Mobile customers who roam outside of their home country network and revenues from other foreign mobile network operators for roaming by their customers on Cellfie Mobile's network. For both revenue streams the Company has a single performance obligation and recognises mobile usage and roaming service revenues based on the traffic of the relevant service processed when the services are rendered over the time. Revenues due from foreign carriers for international roaming calls are recognised in the period in which the call occurs.

Application to person (A2P) revenue

A2P revenue encompasses earnings derived from receiving business messages originating from mobile subscribers of other network operators, whether terminated on Cellfie Mobile's network or transmitted onward. This revenue stream also comprises income generated from commercial entities utilizing Cellfie Mobile's network for the distribution of such business messages. A2P SMS is a message in which recipients are not expected to reply, which is frequently used by businesses in order to communicate with consumers. The revenue is recognised in the period when the service is rendered.

Bundles

Bundles are service agreements under which Cellfie Mobile provides single or more than one service.

Services may be provided or "bundled" under different agreements or in groups of agreements which are interrelated to such an extent that, in substance, they are part of one agreement.

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***4 Material Accounting Policies (continued)**

Services under bundles are performance obligations that are satisfied over time and the same method is used to measure the company's progress toward satisfaction, accordingly bundles are accounted for as a single performance obligation. The maximum period for satisfying these obligations, as of the reporting date, is 90 days.

Changes in presentation of Analysis of Revenue by Category (Note 19)

During the year, the Company has changed its Service Revenue presentation categories from Data revenue, Voice service revenue, SMS revenue and Other value-added services to Revenue from PAYG and Revenue from Bundles. Also, due to non-materiality, Revenue from roaming of own subscribers was transferred to other. Management believes that the change provides reliable and more relevant information by adopting a presentation format that is standard within the telecommunication industry.

The effect of these changes on the presentation of Service revenue disclosure Note 19 is set out below:

	2022 as originally presented	Transfer to PAYG	Transfer to Bundles	Transfer to Other	2022 as re- presented
Revenue from PAYG	-	31 406	-	-	31 406
Revenue from Bundles	-	-	78 169	-	78 169
Data revenue	53 793	(8 627)	(45 166)	-	-
Voice service revenues	41 705	(14 385)	(27 320)	-	-
A2P messaging revenue	13 159	-	-	-	13 159
Other value-added services	11 683	(7 819)	(3 864)	-	-
Interconnect revenues	8 502	-	-	-	8 502
Guest roaming	4 815	-	-	-	4 815
Revenue from roaming of own subscribers	3 028	-	-	(3 028)	-
SMS revenue	2 394	(575)	(1 819)	-	-
Other	1 579	-	-	3 028	4 607
Total service revenue	140 658	-	-	-	140 658

Employee benefits. Wages, salaries, contributions to the Georgian state pension funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Customer acquisition costs. Certain costs are incurred when the Company acquires a contract with a new or existing customer. The costs of obtaining a contract with a customer are recorded on the balance sheet only if:

- The costs are incremental to acquiring a contract with customer;
- The incremental costs are recoverable;
- The cost incurred has added value to Cellfie Mobile.

All the costs that do not qualify above mentioned criteria are expensed when incurred.

Income taxes. Income taxes have been provided for in this 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.

4 Material Accounting Policies (continued)

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. A contingent income tax liability which would arise upon the payment of dividends is not recognised in the statement of financial position.

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.

Value Added Tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Input VAT related to acquisition of Property, Plant and Equipment items are deferred for 5 to 10 years for entities having more than 20% of its turnover exempt from VAT without right to credit. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Property and equipment. Property and equipment (P&E) are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

Land and CIP are not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Buildings	20 years
Telecommunications equipment	6-20 years
Office equipment	6-10 years
Furniture	10 years
Vehicles	5 years
Other	3-10 years

Residual value at the end of the reporting period is null.

Right-of-use assets. The Company leases lands, offices for stores, office building, other spaces where network equipment is located and vehicles. Contracts contain only lease components and each site lease is accounted as a single lease component.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

4 Material Accounting Policies (continued)

Right-of-use assets are depreciated over the lease term (considering extension options) on a straight-line basis.

Below are the identified lease categories applicable to Cellfie Mobile together with the reasonably certain lease term according to the Company's policy:

	Useful lives
Stores	3 years
Space for tower sites	5 - 8 years
Warehouses	5 years
Office buildings	3 - 7 years
Vehicles	4 Years

Intangible assets. Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives
Telecommunication licenses, frequencies and permissions	10 -15 years
Software	3 - 10 years
Other intangible assets	1 - 8 years

Impairment of assets. The Company bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Profit or Loss and Other Comprehensive Income in expense categories consistent with the function of the impaired asset.

Financial instruments – initial recognition. All financial instruments are initially recorded at fair value.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets at AC.

Financial assets – classification and subsequent measurement – business model. All financial assets are held solely to collect the contractual cash flows from the assets. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets impairment – credit loss allowance for ECL. The Company assess, on a forward-looking basis, the ECL for debt instruments measured at AC. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Company applies the simplified approach for calculating a lifetime ECL for its trade and other receivables, as well as for contract assets recognised as part of revenue recognition under IFRS 15. The expected loss rates are based on the payment profiles of sales over a period of last 12 months and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information. The Company analyses different macroeconomic indicators however, macroeconomic indicators do not have material effect and thus the Company does not apply such forward-looking adjustment to its default rates.

4 Material Accounting Policies (continued)

The company uses the following segments for ECL calculation purposes:

- Receivables from customers;
- Receivables due for roaming and interconnect;
- Other trade receivables;

Financial liabilities – measurement categories. The Company's financial liabilities include trade and other payables, borrowings and lease liabilities and are classified as subsequently measured at AC.

Borrowings from parent companies

From time to time the parent companies extend loans and borrowings in the form of below market interest rate loans. Below market interest rate loans from parent companies are initially recognised at fair value, being the present value of future repayments based on expected maturities of the loan using market interest rate. The difference between the consideration received by the Company under the loan and its fair value is treated as an equity contribution by the Parent and is recorded as additional paid-in capital. After initial recognition, these loans and borrowings are measured at amortised cost using the effective interest method.

Subsequent changes in the terms of the loans and borrowings (interest rates, maturity dates, etc.) which are not substantial are considered as changes in estimate and are recognised prospectively from the beginning of the reporting period in which respective change occurred. The resulting gain or loss on remeasurement is included in the finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the incremental borrowing rate. Incremental borrowing rate is defined as "the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of-use asset in a similar economic environment".

From 2022 the Company uses customized interest rates on loans that align with the rates published by the National Bank of Georgia at the time of lease recognition. Various factors are involved in determining the interest rate for leases that are over a similar term, currency, and business sector.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Subscribed capital. The amount of subscribed capital is defined by the Company's Charter. The changes in the Company's Charter (including changes in subscribed capital, ownership, etc.) shall be made only based on the decision of the Company's shareholders.

4 Material Accounting Policies (continued)

Asset retirement obligations. When there are changes in the measurement of an existing asset retirement obligation due to changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or from changes in the discount rate, the cost of the related asset is adjusted if the related asset is measured using the cost model or the revaluation surplus is adjusted if the asset is measured using the revaluation model.

Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of the item either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period.

Amendment of the financial statements after issue. Any changes to these financial statements after issue require approval of the management, who authorised these financial statements.

5 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:

Revenue recognition. The Company's revenues primarily consist of revenues from sale of services and periodic subscriptions. The Company offers subscribers, via multiple element arrangements ("bundles") or otherwise, a number of different services with different price plans, and provides discounts in various types and forms, often in connection with different campaigns, over the contractual or average customer relationship period. Determining the standalone selling price of each deliverable can require complex estimates due to the nature of the services provided.

The Company also sells wholesale products to other operators and vendors in different countries and across borders. Management has to make estimates related to revenue recognition, relying to some extent, on information from other operators regarding values of services delivered. Management also makes estimates for the final outcome in instances where the other parties dispute the amounts charged.

Furthermore, management has to estimate the average customer life in order to calculate the period over which revenue should be recognised. This may occur in the event of an indefinite contract term (stand-ready obligation) or in the event of a series of material rights to renew a contract (i.e. month-to-month contracts). Cellfie Mobile's policy for determining the average customer life is with reference to the following formula:

$$\text{Average customer life} = 1 \div \text{Churn Rate}$$

Management also applies judgement in evaluating whether the Company is acting as a principal or agent in certain circumstances. In this case, among others, the main factor is whether the Company is considered as the primary obligor in the transactions.

Depreciation and amortisation of non-current assets. Depreciation and amortisation expenses are based on management estimates of useful life, residual value, and amortisation method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time.

Some of the assets and technologies, in which the Company invested several years ago, are still in use and provide the basis for the new technologies. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

churn, the remaining license or concession period and the expected developments in technology and markets.

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other important relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Company due to local factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate and quality of components used. The actual economic lives of intangible assets may be different than our estimated useful lives, thereby resulting in a different carrying value of our intangible assets with finite lives.

We continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 26. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macroeconomic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Company evaluates different macroeconomic factors, however, macroeconomic factors do not have material effect on the ability of the customers to settle the receivables, thus the Company does not apply such forward-looking adjustment to its historical loss rates.

Depreciation of right-of-use assets. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In such cases, where extension of the lease is legally enforceable, company has identified asset categories and determined reasonably certain lease terms.

The lease term is reassessed if an option is not actually exercised. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Discount rates used for determination of lease liabilities. The Company uses its incremental borrowing rate as a base for calculation of the discount rate because the interest rate implicit in the lease cannot be readily determined.

From 2022 the Company uses customized interest rates on loans that align with the rates published by the National Bank of Georgia at the time of lease recognition. Various factors are involved in determining the interest rate for leases that are over a similar term, currency, and business sector.

Provisions. The Company is subject to various legal proceedings, disputes and claims, including regulatory discussions related to the Company's business, licenses, tax positions and investments, and the outcomes are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Company to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable, or a reasonable estimate could not be made.

For certain operations in emerging markets, the Company is involved in legal proceedings, and regulatory discussions. Management's estimates relating to legal proceedings and regulatory discussions in these countries involve a high level of uncertainty.

6 Adoption of New or Revised Standards and Interpretations

The following 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. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's separate financial statements.

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 recognize 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.

7 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).

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).

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023, effective for annual periods beginning on or after 1 January 2025).

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).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Company's financial statements.

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***8 Property and Equipment**

Property and equipment, at cost, consisted of the following at 31 December 2023 and 2022:

	Land	Buildings	Telecom. equipment	Office equipment	Furniture	Vehicles	Other	CIP*	Total
Cost									
31 December 2021	1,161	8,014	333,506	39,130	716	846	49,131	28,972	461,476
Additions	-	-	-	-	-	-	-	31,038	31,038
Disposals	-	(37)	(101,068)	(1,533)	(50)	(65)	(2,517)	-	(105,270)
Transfers	-	252	37,508	6,691	24	-	675	(45,150)	-
Changes in estimates of ARO	-	-	(887)	-	-	-	-	-	(887)
31 December 2022	1,161	8,229	269,059	44,288	690	781	47,289	14,860	386,357
Additions	-	682	5,879	1,010	31	-	445	30,835	38,883
Disposals	-	-	(14,759)	(1,621)	-	(81)	(128)	(562)	(17,150)
Transfers	-	-	10,183	-	-	-	-	(10,183)	-
Changes in estimates of ARO	-	-	16	-	-	-	-	-	16
31 December 2023	1,161	8,911	270,378	43,678	721	700	47,606	34,951	408,106
Depreciation and impairment									
31 December 2021	-	3,767	291,870	35,542	469	724	47,302	5,285	384,959
Depreciation charge	-	403	16,240	2,311	46	63	1,044	-	20,107
Disposals	-	(20)	(99,703)	(1,515)	(44)	(65)	(2,516)	-	(103,863)
Reversals of impairment	-	-	-	-	-	-	-	(1,356)	(1,356)
31 December 2022	-	4,150	208,407	36,338	471	722	45,830	3,929	299,847
Depreciation charge	-	483	15,420	2,160	47	31	412	-	18,553
Disposals	-	-	(14,759)	(1,550)	-	(81)	(128)	-	(16,518)
Reversals of impairment	-	-	-	-	-	-	-	147	147
31 December 2023	-	4,633	209,068	36,948	518	672	46,114	4,076	302,029
Carrying amount									
31 December 2021	1,161	4,247	41,636	3,588	247	122	1,829	23,687	76,517
31 December 2022	1,161	4,079	60,652	7,950	219	59	1,459	10,931	86,510
31 December 2023	1,161	4,278	61,311	6,730	203	28	1,492	30,875	106,077

(*) CIP - Construction in progress and uninstalled equipment

8 Property and Equipment (Continued)

Construction in progress consists of construction of base stations and uninstalled equipment. Upon completion, assets are transferred to Telecommunications equipment.

At 31 December 2023, the gross carrying value of property and equipment, which has been fully depreciated and still in use, was approximately GEL 159,448 thousand (2022: GEL 159,617 thousand).

Impairment assessment. As of 31 December 2023, the management performed an impairment indicators assessment according to which no impairment indicators have been identified. Impairment charge of GEL 1,445 thousand (2022: impairment reversal of GEL 1,356 thousand) relate to the obsolete network equipment not installed, CIP and spare parts.

9 Intangible Assets

The total gross carrying value and accumulated amortization of Company's intangible assets consisted of the following at 31 December 2023 and 2022:

	Telecommunication licenses, frequencies and permissions	Software	Other intangible assets	Total
Cost				
31 December 2021	119,584	18,098	159	137,841
Additions	942	3,331	-	4,273
Disposals / write-offs	(1,470)	(2,663)	-	(4,133)
31 December 2022	119,056	18,766	159	137,981
Additions	4,332	3,532	416	8,280
Disposals / write-offs	(514)	(1,180)	(268)	(1,962)
31 December 2023	122,874	21,118	307	144,300
Amortisation and impairment				
31 December 2021	115,983	13,487	132	129,602
Amortisation charge	989	3,152	1	4,142
Disposals / write-offs	(1,470)	(2,663)	-	(4,133)
31 December 2022	115,502	13,976	133	129,611
Amortisation charge	1,074	3,183	-	4,257
Disposals / write-offs	(514)	(1,180)	(15)	(1,709)
31 December 2023	116,062	15,979	118	132,160
Carrying amount				
31 December 2021	3,601	4,611	27	8,239
31 December 2022	3,554	4,790	26	8,370
31 December 2023	6,812	5,139	189	12,140

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***10 Right-of-use Assets**

The Company leases spaces for towers, stores, office and warehouse. Rental contracts typically have fixed durations ranging from 1 year to 5 years.

	Space for tower sites	Stores and office	Vehicles	Warehouse	Total
Carrying amount at 1 January 2022	18,785	211	397	-	19,393
Additions	2,336	137	-	-	2,473
Remeasurements and modifications	6,631	5,762	-	-	12,393
Depreciation charge	(8,312)	(2,088)	(116)	-	(10,516)
Carrying amount at 31 December 2022	19,440	4,022	281	-	23,743
Additions	5,748	1,054	657	-	7,459
Remeasurements and modifications	3,480	730	-	-	4,210
Depreciation charge	(8,136)	(2,367)	(220)	-	(10,723)
Carrying amount at 31 December 2023	20,532	3,439	718	-	24,689

11 Trade and Other Receivables

	31 December 2023	31 December 2022
Accounts receivable from:		
-customers	1,627	1,452
-pay-box operators	2,039	6,734
-roaming partners	6,281	6,063
-interconnect services	2,051	756
Other	887	4,187
<i>Less: impairment loss provision</i>	<i>(3,282)</i>	<i>(3,971)</i>
Total trade accounts receivable	9,602	15,221

Trade receivables are mostly non-interest bearing and are generally on 30 days' term and denominated in GEL, USD and EUR, only trade receivables from pay-box operators have about 3-5 days term.

Trade receivables of GEL 8,506 thousand (2022: GEL 11,620 thousand), net of impairment loss provisions, are denominated in foreign currency, out of which GEL 8,164 thousand (2022: GEL 9,885 thousand) is in US Dollars and GEL 342 thousand (2022: GEL 1,735 thousand) is in EUR.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2023 and the corresponding historical credit losses experienced within this period.

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***11 Trade and Other Receivables (continued)**

The Company evaluates different macroeconomic factors, however, macroeconomic factors do not have material effect on the ability of the customers to settle the receivables, thus the Company does not apply such forward-looking adjustment to its historical loss rates.

The credit loss allowance for trade and other receivables is determined according to provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due, adjusted for forward-looking information.

	31 December 2023				31 December 2022			
	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade receivables								
- current	0%	6,114	-	6,114	1%	6,673	84	6,589
- less than 30 days overdue	0%	405	-	405	10%	1,549	156	1,393
- 30 to 60 days overdue	33%	565	187	378	6%	1,028	63	965
- 61 to 90 days overdue	36%	192	70	122	1%	880	10	870
- over 90 days overdue	49%	4,722	2,337	2,385	72%	4,874	3,513	1,361
Total	22%	11,998	2,594	9,404	25%	15,004	3,826	11,178

	31 December 2023				31 December 2022			
	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value	Loss rate	Gross carrying amount	Lifetime ECL	Net carrying value
Other receivables								
- current	0%	142	-	142	0%	1,228	-	1,228
- less than 30 days overdue	0%	38	-	38	0%	539	-	539
- 30 to 60 days overdue	0%	15	-	15	0%	74	-	74
- 61 to 90 days overdue	0%	3	-	3	0%	42	-	42
- over 90 days overdue	100%	688	688	-	6%	2,304	145	2,159
Total	78%	886	688	198	3%	4,187	145	4,042

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual period:

	2023	2022
Allowance for credit losses on trade receivables at 1 January	(3,971)	(4,948)
Reversals of ECL allowance/(new originated or purchased)	(1,920)	665
Changes in estimates and assumptions	-	95
Total credit loss allowance charge in profit or loss for the period	(1,920)	760
Write-offs	2,609	217
Allowance for credit losses on trade receivables at 31 December	(3,282)	(3,971)

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***12 Other Non-Financial Assets and Liabilities**

Other non-financial assets consisted of the following:

	31 December 2023	31 December 2022
Advances to suppliers and other prepayments	2,997	2,560
Contract costs	2,361	2,031
Other taxes prepaid, net	1,998	881
Other current non-financial assets	7,356	5,472
Prepaid VAT on IRU agreements	2,879	3,507
Prepayments for Property and Equipment and intangible assets	377	-
Other non-current non-financial assets	3,257	3,507

Other non-financial liabilities consisted of the following:

	31 December 2023	31 December 2022
Advances received from customers	2,106	2,139
Amounts due to employees	3,279	3,089
Deferred revenue	3,516	3,404
Other current non-financial liabilities	8,902	8,632

13 Cash and Cash Equivalents

Cash and cash equivalents consisted of the following items as at:

	31 December 2023	31 December 2022
Bank balances payable on demand	20,156	17,377
Corporate credit cards	36	32
Cash on hand	16	9
Cash in transit	2	4
Total cash and cash equivalents	20,210	17,422

Bank balances and term deposits represent interest bearing current accounts in top 3 local banks with BB and B+ ratings (2022: BB-), which are neither past due nor impaired. Interest accrued on the Company's current accounts as of 31 December 2023 was GEL 1,153 thousand (2022: GEL 773 thousand).

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***14 Equity**

Subscribed capital. In December 2023 shareholder loan of GEL 986,127 thousand was fully converted into the Company's subscribed capital (Note 15) based on the shareholder decision. Therefore, the total subscribed capital of the Company as at 31 December 2023 represents GEL 986,129 thousand (2022: GEL 2 thousand). As at 31 December 2023 the Company had 986,129 thousand shares, each with a nominal value of GEL 1.

Additional paid in capital. The additional paid-in capital relates to the difference between the fair value and the nominal value of the borrowings from the immediate parent company, Watertrail Industries Ltd (BVI). The balance as at 31 December 2023 is nil due to conversion of the borrowing to equity (refer to Note 15).

Other reserves. In 2022, the Company recognized joint borrowings from banks of GEL 86,242 thousand with corresponding entry to equity, other reserves (Note 15). During the reporting period other reserves increased by interest accruals and foreign exchange effect of GEL 9,902 thousand (2022: GEL 1,091 thousand) and nullified by the repayments of GEL 91,694 thousand (2022: GEL 5,541 thousand).

Forgiveness of liability to shareholder. In December 2023 based on the decision of Watertrail Industries Ltd (BVI), Company's payable balance towards the immediate Parent in the amount of USD 6,243 thousand (GEL 16,659 thousand) was forgiven. The transaction is treated as an adjustment directly to the Accumulated deficit.

15 Borrowings

Borrowings consisted of the following items as at 31 December 2023:

Lender	Agreement	Credit limit (in original CCY)	Amount withdrawn (in original CCY)	Nominal interest rate	CCY	Maturity	31 December 2023
Non-current							
Bank of Georgia JSC	9772084	16,314	16,314	4.00%*	GEL	7-Jun-29	8,747
TBC Bank JSC	12904309	15,897	15,897	4.00%*	GEL	7-Jun-29	8,742
Bonds	GE2700604608	65,000	65,000	3.5%**	GEL	27-Dec-26	64,220
Total non-current borrowings							81,709
Current							
Bank of Georgia JSC	9772084	16,314	16,314	4.00%*	GEL	7-Jun-29	1,387
TBC Bank JSC	12904309	15,897	15,897	4.00%*	GEL	7-Jun-29	1,394
Bonds	GE2700604608	65,000	65,000	3.5%**	GEL	27-Dec-26	122
Total current borrowings							2,903
Total borrowings							84,612

(*) Plus Refinance Rate defined by the National Bank of Georgia

(**) Plus tibR6M defined by National Bank of Georgia

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***15 Borrowings (continued)**

Borrowings consisted of the following items as at 31 December 2022:

Lender	Agreement	Credit limit (in original CCY)	Amount withdrawn (in original CCY)	Nominal interest rate	CCY	Maturity	31 December 2022
Non-current							
Watertrail Industries	#164-#197	230,395	230,395	0.0%	USD	31-Mar-32	586,003
Bank of Georgia JSC	8369526	18,000	18,000	5.75%*	GEL	7-Jun-29	16,325
Bank of Georgia JSC	8369476	8,000	8,000	9.00%**	EUR	7-Jun-29	20,082
TBC Bank JSC	12010323	17,550	17,550	5.75%*	GEL	7-Jun-29	15,918
TBC Bank JSC	12037167	7,955	7,955	9.00%**	EUR	7-Mar-29	20,275
Total non-current borrowings							658,603
Current							
Bank of Georgia JSC	8369526	18,000	18,000	5.75%*	GEL	7-Jun-29	1,874
Bank of Georgia JSC	8369476	8,000	8,000	9.00%**	EUR	7-Jun-29	2,652
TBC Bank JSC	12010323	17,550	17,550	5.75%*	GEL	7-Jun-29	1,825
TBC Bank JSC	12037167	7,955	7,955	9.00%**	EUR	7-Mar-29	2,841
Total current borrowings							9,192
Total borrowings							667,795

Loans received from the shareholder. On 7 June 2022, as part of M&A transaction, borrowings from VEON Holding (former entity under common control) were transferred to Watertrail Industries Ltd (BVI), the immediate Parent company of Cellfie Mobile LLC. Pursuant to the transfer agreement, all rights, claims, and benefits, including entitlement to accrued but unpaid interest, were unconditionally and irrevocably transferred to Watertrail Industries Ltd (BVI). The contractual interest rate changed from 6.5% to 0% for all loans, while all other contractual terms remained unchanged. The modification of contractual terms resulted in the extinguishment of borrowings. The net effect of fair value remeasurement amounted to GEL 128,569 thousand, which was reflected as 'Additional paid in capital' within the Equity statement. The fair value remeasurement utilized a market rate of 7.1%, determined based on publicly available statistical data on market rates for similar financial instruments, as published by the National Bank of Georgia. Various factors, including currency, maturity term, collateralization, and borrower type, were considered when determining the applicable market rate for the Company's borrowings. In December 2023 the shareholder loan of GEL 986,127 thousand (nominal amount) was fully converted (contributed) into the Company's subscribed capital as a result of the shareholder decision (Note 14). As a result, outstanding borrowing balance with the amortized cost of GEL 507,701 thousand and respective fair valuation impact, recognized as 'Additional paid in capital' amounting to GEL 478,426 thousand were converted in the Company's subscribed capital and the remaining balance of GEL 9,739 thousand was directly recorded to accumulated deficit in the statement of changes in equity.

Consequently, as of the reporting year end, the Company no longer has any shareholder loans.

Joint borrowings from banks. According to the loan agreements signed on 7 June 2022 and their amendments, the Company became a co-borrower of the loans obtained from JSC TBC Bank and JSC Bank of Georgia by the Company's current ultimate owner, Khvicha Makatsaria. The purpose of the loans was to finance the purchase of 100% shares in Watertrail Industries Ltd (BVI) and Investico Alliance Ltd (BVI), thus indirectly acquire 100% ownership interest in the Company. Total amount of loans obtained was GEL 35,550 thousand and EUR 15,955 thousand. According to the agreements, Cellfie Mobile LLC is a co-borrower / solidary debtor liable to the lenders with no additional exceptions or conditions. Thus, the Company has unconditional liability to fulfil the contractual obligations under the agreements both, jointly

15 Borrowings (continued)

and separately. The rights of the banks apply equally, without limitation, to the borrower and the Company. Consequently, the loans have been recognized by the Company with corresponding entry to equity ("Other reserves"). In July 2023, following a reorganization of the shareholder structure (Note 1), the aforementioned loans were fully transferred from Khvicha Makatsaria to the Company's 100% shareholder, Silk Road Group B.V. LLC, under unchanged conditions.

Other reserves further increased by net effect of interest accruals and foreign exchange and decreased by the repayments. Joint borrowings were fully repaid during the reporting period and consequently, the Company no longer has any joint borrowing from banks as at 31 December 2023.

Borrowings from banks. According to the credit line agreements signed on 7 December 2023 and their amendments, the Company has two syndicated credit lines with JSC TBC Bank and JSC Bank of Georgia denominated in Georgian Lari and Euros with limits of GEL 32,211 thousand and EUR 14,017 thousand, which were fully utilized for refinancing of joint borrowings. The Company is subject to certain covenants related to its borrowings (Note 29).

Bonds. On 27 December 2023, the Company issued GEL 65,000 thousand secured bonds to partially refinance its newly taken borrowings from banks. Bonds bear coupon of floating rate tibR6M+3.5%. The bonds are repayable within three years from the issue date, 27 December 2026 with semiannual interest payments.

In connection with the issuance of the bonds, the Company incurred expenses of underwriting fees. These expenses are accounted as transaction costs and are included in the calculation of the effective interest rate of the bonds. These expenses are deferred over the lifetime of the bonds.

The table below sets out an analysis of net debt and the movements in the Company's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Borrowings
Liabilities from financing activities at 1 January 2022	493,508
Interest expense	55,580
Repayment of principal	(8,110)
Net effect of fair value measurement of borrowings from shareholder	128,569
Recognition of joint borrowings*	86,242
Repayments of joint borrowings*	(5,541)
Foreign exchange adjustments	(82,453)
Liabilities from financing activities at 31 December 2022	667,795
Interest expense	38,537
Repayment of principal	(145,882)
Repayment of interest	(280)
Transfer to subscribed capital	(986,127)
Net effect of fair value measurement of borrowings from shareholder	478,426
Proceeds from borrowings	136,869
Repayments of joint borrowings*	(91,694)
Foreign exchange adjustments	(13,032)
Liabilities from financing activities at 31 December 2023	84,612

() Joint borrowings from banks were withdrawn and repaid by the primary borrower (Note 15). Therefore, these represent non-cash movements for the Company and do not impact the Statement of Cash Flows.*

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***15 Borrowings (continued)**

At 31 December 2023, all assets owned by the Company (including property and equipment, intangible assets and 100% shares owned by Watertrail Industries Ltd (BVI) and Investico Alliance Ltd (BVI) in the Company) and assets that will be acquired by the Company in the future, have been pledged to third parties as collateral with respect to the borrowings.

16 Lease Liabilities

The Company recognised lease liabilities as follows:

	31 December 2023	31 December 2022
Short-term lease liabilities	9,577	9,316
Long-term lease liabilities	16,194	14,909
Total lease liabilities	25,771	24,225

The Company has fixed payment term for all leased property. The Company recognises all short-term and low-value leases as short-term lease liabilities and there are no expenses related to leases recognised in general and administrative expenses. Total cash outflow for leases in 2023 was GEL 13,063 thousand (2022: GEL 14,270 thousand).

Lease liability reconciliation. The table below sets out an analysis of lease liability and the movements in the Company's liabilities from financing activities. The items of these liabilities are those that are reported as financing in the statement of cash flows.

	Lease liability
Liabilities from financing activities at 1 January 2022	22,724
Interest accrual	2,583
Interest payment	(2,583)
Acquisition of new lease and remeasurement	14,027
Principal payment	(11,687)
Foreign exchange gain	(838)
Liabilities from financing activities at 31 December 2022	24,226
Interest accrual	3,184
Interest payment	(3,184)
Acquisition of new lease and remeasurement	11,477
Principal payment	(9,879)
Foreign exchange gain	(53)
Liabilities from financing activities at 31 December 2023	25,771

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***17 Provisions for Asset Retirement Obligation**

Base stations for wireless networks are constructed on leased land and the term of the lease requires that the land or premises be reinstated upon expiry of lease term. The obligation is referred to as asset retirement obligation and is recognized when the equipment is installed. Asset retirement obligation is recognized and measured at the best estimate of the future costs to dismantle and remove equipment and restore the site.

As of 31 December 2023, asset retirement obligation is GEL 2,043 thousand (2022: GEL 1,921 thousand).

Movements in asset retirement obligation are as follows:

	2023	2022
Carrying amount at 1 January	1,921	2,677
Additions to property and equipment	20	6
Changes in estimates adjusted against property and equipment	(156)	(892)
Utilisation	(13)	(122)
Unwinding of the present value discount	271	252
Carrying amount at 31 December	2,043	1,921

18 Trade and Other Payables

	31 December 2023	31 December 2022
Payables for:		
- non-current assets	13,701	11,213
- services	8,532	28,474
- accrued roaming rebates	6,205	6,846
- interconnect	902	1,645
- roaming	425	562
- inventory	14	114
Other	1,147	595
Total trade and other payables	30,926	49,449

All payables are non-interest bearing and are normally settled on 30 to 90 days terms.

19 Analysis of Revenue by Category

Service revenue consisted of the following for the years ended 31 December:

	2023	2022 re-presented
Revenue from pay-as-you-go	31,335	31,406
Revenue from bundles	91,419	78,169
A2P messaging revenue	14,211	13,159
Interconnect revenues	7,390	8,502
Guest roaming	4,071	4,815
Other	5,252	4,607
Total service revenue	153,678	140,658

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***19 Analysis of Revenue by Category (continued)**

From 2014, Cellfie Mobile joined discounting program managed by the related party (an entity under common control) at that time, whereby the Company provides discount on roaming services to the foreign operators and deducts it from “Guest roaming” revenue. The discount amount is based on international roaming traffic usage. In 2023, the Company recorded a discount of GEL 3,709 thousand (2022: GEL 4,872 thousand). Total revenue is recognized over time.

20 Service Costs

Service costs consisted of the following for the years ended 31 December:

	2023	2022
Cost of interconnect	11,712	13,682
Cost of A2P messaging	6,938	5,770
Content costs	4,071	2,806
Roaming cost	1,539	1,225
Cost of data services	1,029	1,026
Rent of transport network	874	732
Other	33	32
Total service costs	26,197	25,273

21 Other Operating Expenses

	2023	2022
Information technology and technical support	3,677	4,715
Professional service fees*	3,005	2,390
Charge/(recovery) on impairment of trade and other receivables	1,920	(759)
Regulatory fees	1,144	1,070
Amortization of contract costs	1,051	673
Property tax	795	905
Tax expenses other than income tax	697	732
Business trips	224	253
Cash-in terminal service commission	183	284
Dealer commissions	151	163
Other	2,212	1,127
Total other operating expenses	15,059	11,553

(*) Professional service fees include GEL 288 thousand (2022: GEL 278 thousand) fees incurred for IFRS and regulatory audit services provided by Auditor/Audit Firm as defined in the Law of Georgia on Accounting, Reporting and Auditing.

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***22 Finance Costs**

	2023	2022
Interest expense on loans	38,537	55,580
Interest expense on lease liability	3,184	2,583
Provisions for asset retirement obligations: unwinding of the present value discount	271	252
Total finance costs	41,992	58,415

23 Finance Income

	2023	2022
Interest income	1,153	773
Net gain on early settlement of lease liability	191	195
Total finance income	1,344	968

24 Income Taxes

Starting from 1 January 2017, the income tax is paid on distributed profits, thus, recognition of deferred tax is not relevant (Note 4).

25 Balances and Transactions with Related Parties

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.

Due to the change in the Company's ownership in 2023, the related parties of the Company changed correspondingly (Note 1). Due to insignificant changes between current and former related parties, transactions and balances with both, current and former related parties, are presented together during the reporting period.

Balances with related parties at 31 December 2023 were as follows:

	Amounts owed by related parties	Amounts owed to related parties
Entities under common control		
Other companies	-	267

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***25 Balances and Transactions with Related Parties (continued)**

Transactions with related parties in 2023 were as follows:

	Sales to related parties	Purchases/ expenses from related parties
Immediate parent		
Watertrail Industries Ltd	-	37,988
Entities under common control		
Other companies	11	2,959

Balances with related parties at 31 December 2022 were as follows:

	Amounts owed by related parties	Amounts owed to related parties
Immediate parent		
Watertrail Industries Ltd	-	604,434
Entities under common control		
Other group companies	138	248

Transactions with related parties in 2022 were as follows:

	Sales to related parties	Purchases/ expenses from related parties	Roaming rebates	Roaming discounts
Current related parties:				
Immediate parent				
Watertrail Industries Ltd	-	23,322	-	-
Entities under common control				
Other group companies	5	1,511	-	-
Former related parties:				
Immediate parent				
OJSC Vimpelcom	1,197	886	280	153
VEON Ltd	-	130	-	-
Entities under common control				
VEON Holding	-	26,543	-	-
Other group companies	523	511	231	24

Borrowings from related parties are disclosed in Note 15.

Total compensation to key management (including Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Legal Officer, Chief People & Organization Officer, Chief Business Officer, Chief Ethics & Compliance Officer, Customer Experience Manager and Head of PR) personnel recorded in Employee benefits expense amounted to GEL 3,354 thousand and GEL 6,375 thousand for the years ended 31 December 2023 and 31 December 2022 respectively (in 2022, the key management team comprised the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Legal Officer, Chief People & Organization Officer, Chief Ethics & Compliance Officer, Customer Experience Manager and Head of PR). Compensation to key management personnel mainly consists of contractual

25 Balances and Transactions with Related Parties (continued)

salary and performance bonus based on operating results. Besides, in 2022, a one-time bonus of GEL 2,971 thousand was granted to the key management as a reward for the successful completion of the M&A process.

26 Financial Risk Management

The Company's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The

Company has trade and other receivables, and cash and cash equivalents that derive directly from its operations.

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

- Credit risk;
- Market price risk;
- Liquidity risk.

This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments. The principal financial instruments used by the Company, from which financial risks arise, are as follows:

- Trade accounts receivable;
- Cash and cash equivalents;
- Trade and other payables;
- Loans and borrowings.

Credit risk. Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations. Company is mainly exposed to credit risk from credit sales. The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

Credit risk management. Credit risk is one of the largest risks 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.

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 is 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 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

26 Financial Risk Management (continued)

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 is deceased; and
- the borrower is insolvent.

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. The Company considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:

- the borrower is more than 30 days past due on its contractual payments.

The Company measures ECL on a portfolio basis. When assessment is performed on a portfolio basis, the Company analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks.

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 year during the lifetime period for each individual exposure. 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.

Market price risk. Market price risk consists of interest rate risk and foreign exchange risk.

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 December 2023 the Company is exposed to the interest rate risk on the borrowings from banks, as loans are bearing floating interest rates (Note 15).

As at 31 December 2022, the Company is not exposed to the interest rate risk on attracted financing from the shareholder, since the loans are bearing zero interest rate. With regards to the joint borrowings from banks, the Company is exposed to the interest rate risk as loans are bearing floating interest rates.

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:

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***26 Financial Risk Management (continued)**

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non- monetary	Total
31 December 2023						
Borrowings (Note 15)	-	-	-	84,612	-	84,612
Net interest sensitivity gap at 31 December 2023	-	-	-	84,612	-	84,612

b. Foreign exchange risk

Foreign exchange risk arises when Company enters into transactions denominated in a currency other than its functional currency. As of the reporting period, The Company's exposure to the risk of changes in foreign exchange no longer relates to its borrowings. Consequently, borrowings as of December 31, 2023 were presented in the functional currency. The Company does not hedge foreign exchange risk. The Company aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rates, with all other variables held constant.

	At 31 December 2023		At 31 December 2022	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 10%	(1,077)	(1,077)	(61,088)	(61,088)
US Dollar weakening by 10%	1,077	1,077	61,088	61,088
Euro strengthening by 10%	(27)	(27)	(4,650)	(4,650)
Euro weakening by 10%	27	27	4,650	4,650

Company's monetary assets and liabilities exposed to foreign exchange risk can be presented as follows:

	At 31 December 2023			At 31 December 2022		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
US Dollars	11,307	(22,080)	(10,773)	10,033	(620,916)	(610,883)
Euros	384	(651)	(267)	1,805	(48,304)	(46,499)
Total	11,691	(22,731)	(11,040)	11,838	(669,220)	(657,382)

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***26 Financial Risk Management (continued)**

Liquidity risk. Liquidity risk arises from the Company's management of working capital, the finance charges and principal repayments on its debt instruments and payment of lease fee. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The following are the contractual maturities of financial liabilities as at 31 December 2023:

	Carrying value	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total undiscounted
Loans and borrowings	84,612	1,315	13,034	104,091	2,629	121,069
Lease Liabilities	25,771	3,618	9,765	19,626	589	33,598
Trade and other payables	30,926	30,926	-	-	-	30,926
Total future payments, including future principal and interest payments	141,309	35,859	22,799	123,717	3,218	185,593

The following are the contractual maturities of financial liabilities as at 31 December 2022:

	Carrying value	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total undiscounted
Loans and borrowings	667,795	4,777	14,331	76,432	1,133,938	1,229,478
Lease Liabilities	24,225	2,580	6,720	16,419	712	26,431
Trade and other payables	49,449	49,449	-	-	-	49,449
Total future payments, including future principal and interest payments	741,469	56,806	21,051	92,851	1,134,650	1,305,358

27 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. The Company's management does not have explicit procedure for managing its capital.

28 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.

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:

28 Fair Value Disclosures (continued)

	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
ASSETS								
<i>Financial assets at AC</i>								
- Cash and cash equivalents	16	20,194	-	20,210	9	17,413	-	17,422
- Trade and other receivables	-	-	9,602	9,602	-	-	15,221	15,221
Total financial assets	16	20,194	9,602	29,812	9	17,413	15,221	32,643
LIABILITIES								
<i>Financial liabilities at AC</i>								
- Loans and Borrowings	-	-	84,612	84,612	-	-	667,795	667,795
- Lease Liabilities	-	-	25,771	25,771	-	-	24,225	24,225
- Trade and other payables	-	-	30,926	30,926	-	-	49,449	49,449
Total financial liabilities	-	-	141,309	141,309	-	-	741,469	741,469

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 fair value of floating rate instruments is normally their carrying amount. 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.

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.

29 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Company may arise. Presently, the Company is facing two ongoing civil suits in Batumi city court for the compensation of damages caused by the fire on the Company's electric grid lines. The total amount of claims is equal to GEL 748 thousand. Provisions for these claims have been recognized in the 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.

29 Contingencies and Commitments (continued)

However, the interpretations of the relevant authorities could differ and the effect on this financial information, if the authorities were successful in enforcing their own interpretations, could be significant.

Asset retirement obligation. Base stations for wireless networks are constructed on leased land and the term of the lease require that the land or premises be reinstated upon expiry of lease term. The obligation is referred to as asset retirement obligation and is recognized when the equipment is installed. Asset retirement obligation is recognised and measured at the best estimate of the future costs to dismantle and remove equipment and restore the site (Note 17).

Compliance with covenants. The Company is subject to certain covenants related to its borrowings from Bank of Georgia JSC and TBC Bank JSC. Non-compliance with such covenants may result in negative consequences for the Company including ceasing the contracts and/or requesting full or partial repayment before contractual maturity.

As at 31 December 2023 the Company was in compliance with covenants.

30 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2023:

	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) – (b)
ASSETS			
Accounts receivable from roaming partners	3,610	(43)	3,567
Accounts receivable from accrued roaming discounts	2,663	51	2,714
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	6,273	8	6,281
LIABILITIES			
Payables for roaming	(467)	43	(424)
Accounts payable for accrued roaming discounts	(6,155)	(51)	(6,206)
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	(6,622)	(8)	(6,630)

CELLFIE MOBILE LLC**Notes to the Financial Statements – 31 December 2023***(All amounts in thousands of Georgian Lari unless otherwise stated)***30 Offsetting Financial Assets and Financial Liabilities (continued)**

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2022:

	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) – (b)
ASSETS			
Accounts receivable from roaming partners	4,035	2,029	6,064
Accounts receivable from accrued roaming discounts	2,130	(2,130)	-
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	6,165	(101)	6,064
LIABILITIES			
Accounts payable for accrued roaming rebates	(6,951)	101	(6,850)
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	(6,951)	101	(6,850)

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting and (c) for each individual instrument in order not to understate the ultimate net exposure.

The Company has master netting arrangements, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position.

31 Events after the Reporting Period

Changes in key management. Effective from 1 March 2024, Chief Executive Officer of the Company, Vasil Berishvili, has been replaced by Chief Technology Officer (CTO) of the Company at that time, Dimitri Shughliashvili. Additionally, Mariam Kopadze has assumed the role of Chief Commercial Officer (CCO) effective from 1 March 2024, replacing the former Chief Business Operation Officer, Malkhaz Jorjikhvili.