

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**

**REPORT OF INDEPENDENT AUDITORS**

**AND  
FINANCIAL STATEMENTS**

**31 DECEMBER 2024**

**"MUNICIPAL DEVELOPMENT FUND OF GEORGIA"**  
**TABLE OF CONTENTS**

	Page
Statement of management's responsibilities	3
Report of independent auditors	4-5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in reserves	8
Statement of cash flows	9
 <i>Notes to financial statements</i>	
1. General information	10
2. Summary of significant accounting policies	10-17
3. Critical accounting estimates and judgements	17
4. Standards, interpretations and amendments	18
5. Finance income from deposits in banks	19
6. Administrative expenses	19
7. Foreign exchange (loss) / gain, net	19
8. Property and equipment	20
9. Loans to and receivables from municipalities	21-23
10. Receivables and advances	24
11. Cash and cash equivalents	24
12. Deposits in bank	25
13. Long term debt	25-26
14. Provisions	26
15. Trade and other payables	26
16. Sources of financing	27-28
17. Related parties' transactions and outstanding balances	29
18. Financial risk management	30-33
19. Commitments and contingencies	33-34
20. Events after reporting period	34
21. Approval of the financial statements	34

## **STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024**

Management is responsible for the preparation of the financial statements that fairly present the financial position of the Municipal Development Fund of Georgia (the "Fund") as at 31 December 2024, and the results of its operations, changes in reserves and cash flows for the year ended 31 December 2024, in compliance with International Financial Reporting Standards ("IFRSs").

In preparing the financial statements, management is responsible for:

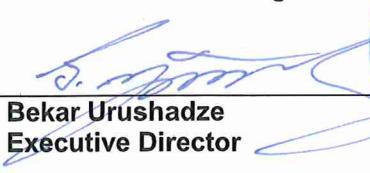
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRSs") are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the fund's financial position and financial performance; and
- Making an assessment of the Fund's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the fund;
- Maintaining adequate accounting records that are sufficient to show and explain the fund's transactions, and disclose with reasonable accuracy at any time the financial position of the fund, and which enable them to ensure that the financial statements of the fund comply with IFRSs;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps that are reasonably available to them to safeguard the assets of the fund; and
- Detecting and preventing fraud and other irregularities.

The financial statements of the fund for the year ended 31 December 2024 were approved by management on 30 June 2025.

**On behalf of the Management:**

  
**Bekar Urushadze**  
Executive Director



  
**Tamar Pitskhelauri**  
Deputy Executive Director –  
Chief Financial Officer

## REPORT OF INDEPENDENT AUDITORS

**To The Shareholders of the "Municipal Development Fund of Georgia"**

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the "Municipal Development Fund of Georgia" (the "Fund"), which comprise the statement of financial position as at 31 December 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2024, and its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards.

#### 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

#### 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of 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 Fund'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 Fund's financial reporting process.

### **Auditors' 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 skepticism 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 Fund'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 Fund'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 Fund 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.

Moore Azerbaijan

30 June 2025



**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2024**  
**(Expressed in GEL)**

	<b>Note</b>	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	8	3,576,910	3,601,517
Intangible assets		34,994	61,685
Receivables from municipalities	9	45,796,048	61,056,741
Loans to municipalities	9	13,041,986	17,548,241
<b>Total non-current assets</b>		<b>62,449,938</b>	<b>82,268,184</b>
<b>Current assets</b>			
Loans to municipalities	9	8,125,000	5,126,080
Receivables from municipalities	9	14,366,674	14,366,674
Other current assets		22,952	19,710
Current tax asset		1,092,436	1,238,888
Receivables and advances	10	406,851,125	452,760,613
Deposits in banks	12	173,205,630	129,868,522
Cash and cash equivalents	11	68,400,975	116,111,299
<b>Total current assets</b>		<b>672,064,792</b>	<b>719,491,786</b>
<b>TOTAL ASSETS</b>		<b>734,514,730</b>	<b>801,759,970</b>
<b>RESERVES AND LIABILITIES</b>			
<b>RESTRICTED RESERVES</b>			
Sources of financing	16	460,766,002	509,694,997
<b>UNRESTRICTED RESERVES</b>			
Retained earnings		110,319,047	102,669,598
<b>TOTAL RESERVES</b>		<b>571,085,049</b>	<b>612,364,595</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Grants related to assets		1,087,158	1,182,288
Long-term debt	13	43,852,010	58,218,684
Provisions	14	12,561,257	11,332,353
<b>Total non-current liabilities</b>		<b>57,500,425</b>	<b>70,733,325</b>
<b>Current liabilities</b>			
Current portion of long-term debt	13	16,357,067	17,145,140
Trade and other payables	15	89,572,189	101,516,910
<b>Total current liabilities</b>		<b>105,929,256</b>	<b>118,662,050</b>
<b>TOTAL RESERVES AND LIABILITIES</b>		<b>734,514,730</b>	<b>801,759,970</b>

  
**Bekar Urushadze**  
**Executive Director**

30 June 2025



  
**Tamar Pitskhelauri**  
**Deputy Executive Director –**  
**Chief Financial Officer**

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

	<b>Note</b>	<b>2024</b>	<b>2023</b>
Finance income from deposits in banks	5	23,121,532	23,797,319
Finance income from loans to municipalities		2,373,833	2,354,159
Revenue from commission		405,041	486,980
Other income		1,146,143	2,398,017
Other expense		(1,416,874)	(1,474,935)
(Provision for)/recovery of doubtful issued loans, receivables and advances, cash and deposits	8,9,10,11,12	(2,041,279)	(7,333,992)
Administrative expenses	6	(16,826,616)	(15,124,516)
Foreign exchange (loss)/gain, net	7	887,669	1,515,582
<b>Profit before income tax</b>		<b>7,649,449</b>	<b>6,618,614</b>
Income tax expense		-	-
<b>Net profit for the year</b>		<b>7,649,449</b>	<b>6,618,614</b>
Other comprehensive income/(loss)		-	-
<b>Total comprehensive profit for the year</b>		<b>7,649,449</b>	<b>6,618,614</b>



  
**Bekar Urushadze**  
**Executive Director**

  
**Tamar Pitskhelauri**  
**Deputy Executive Director –**  
**Chief Financial Officer**

30 June 2025

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Expressed in GEL)**

	<b>Sources of financing</b>	<b>Retained earnings</b>	<b>Total reserves</b>
<b>Balance at 31 December 2022</b>	<b>308,408,432</b>	<b>96,050,984</b>	<b>404,459,416</b>
Total comprehensive profit for the year	-	6,618,614	6,618,614
Net financing of implemented projects	201,286,565	-	201,286,565
<b>Balance at 31 December 2023</b>	<b>509,694,997</b>	<b>102,669,598</b>	<b>612,364,595</b>
Total comprehensive profit for the year	-	7,649,449	7,649,449
Net financing of implemented projects	(48,928,995)	-	(48,928,995)
<b>Balance at 31 December 2024</b>	<b>460,766,002</b>	<b>110,319,047</b>	<b>571,085,049</b>



*თ. ურუშაძე*  
Bekar Urushadze  
Executive Director

30 June 2025

*თ. პიტშელავი*  
Tamar Pitskhelauri  
Deputy Executive Director – Chief  
Financial Officer

Notes on pages 10-34 are an integral part of these financial statements

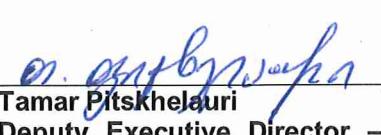
**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

	<b>Note</b>	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>			
Profit after income tax		7,649,449	6,618,614
<b>Adjustments for:</b>			
Depreciation of amortization expense	6	584,238	497,371
Provision for receivables and advances	10	1,265,791	6,880,480
Provision for deposits in bank	12	646,823	70,403
Provision for / (recovery of) cash and cash equivalents	11	(7,197)	367,280
Recovery of loans issued to municipalities and other loans disbursed	8,9	183,155	(21,503)
Provision for legal cases	6	1,228,904	-
Income from grants related to assets		(95,130)	(104,764)
Finance income		(25,495,365)	(26,151,478)
Revenue from commission		(405,041)	(486,980)
Foreign exchange loss/gain	7	(887,669)	(1,515,582)
<b>Operating loss before working capital changes</b>		<b>(15,332,042)</b>	<b>(13,846,159)</b>
Change in receivables and advances		44,265,882	(229,290,212)
Change in other current assets		(3,242)	85,352
Changes in current tax assets		146,452	(117,834)
Change in trade and other payables		(11,944,721)	4,820,907
<b>Cash (used in)/generated from operations</b>		<b>17,132,329</b>	<b>(238,347,946)</b>
Income taxes paid		-	-
<b>Net cash (used in)/generated from operating activities</b>		<b>17,132,329</b>	<b>(238,347,946)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	8	(602,774)	(1,713,048)
Purchases of intangible assets		(3,096)	-
Proceeds on disposal of property and equipment	8	72,930	478,194
Repayment of loans to and receivables from municipalities, net		17,034,289	3,960
Withdrawal/(placement) of deposits in banks		(44,000,001)	42,472,388
Interest received, net		31,205,352	50,474,963
<b>Net cash flows generated from investing activities</b>		<b>3,706,700</b>	<b>91,716,457</b>
<b>Cash flows from financing activities</b>			
Projects financing (spent)/received, net	16	(48,928,995)	201,286,565
Interest paid		(6,619,950)	(9,241,541)
Repayment of long-term debt	13	(14,273,090)	(14,293,891)
<b>Net cash generated from / (used in) financing activities</b>		<b>(69,822,035)</b>	<b>177,751,133</b>
<b>Net increase in cash and cash equivalents</b>		<b>(48,983,006)</b>	<b>31,119,644</b>
Effect of ECL on cash and cash equivalents		7,197	(367,280)
Effect of foreign exchange rate changes on cash and cash equivalents		1,265,485	1,893,398
<b>Cash and cash equivalents at the beginning of the year</b>	11	<b>116,111,299</b>	<b>83,465,537</b>
<b>Cash and cash equivalents at the end of the year</b>	11	<b>68,400,975</b>	<b>116,111,299</b>

  
**Bekar Urushadze**  
**Executive Director**

30 June 2025



  
**Tamar Pitskhelauri**  
**Deputy Executive Director –**  
**Chief Financial Officer**

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

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**1. GENERAL INFORMATION**

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

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

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

The number of employees of the Fund as at 31 December 2024 and 31 December 2023 were 177 and 175 respectively.

The financial statements of the Fund for the year ended 31 December 2024 were approved by management on 30 June 2025.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of preparation***

These financial statements have been prepared on the assumption that the Fund is a going concern and will continue in operation for the foreseeable future.

***Basis of accounting***

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that prices are directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset and liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

***Functional currency***

Items included in the financial statements are measured using the currency of the primary of the economic environment in which the Fund operates ("the functional currency"). The functional currency of the Fund is the Georgian Lari ("GEL"). The presentational currency of the financial statements of the Fund is the GEL.

***Offsetting***

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Fund.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Foreign currencies***

In preparing the financial statements of the Fund, transactions in currencies other than the Fund's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise. Below are the exchange rates as at year end which were used by the Fund for the purpose of these financial statements:

	<b>2024</b>	<b>2023</b>
GEL/USD	2.8068	2.6894
GEL/EUR	2.9306	2.9753

***Finance income***

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

For the arrangement where the Fund's role is to arrange for another entity to provide the borrowings to the other parties, then the Fund is an agent and will need to record finance income at the net amount against related finance cost. Different is recognised as revenue from commissions in the statement of profit or loss.

***Short-term employee benefits***

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

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

***Income taxes***

Income taxes have been provided for in accordance with Georgian legislation enacted or substantively enacted by the reporting date. In May 2016, the parliament of Georgia approved a change in the current corporate taxation model, with changes applicable on 1 January 2017 for all entities apart from certain financial institutions. The changed model implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the fund's profit before tax, regardless of the retention or distribution status.

The new profit tax rules for the fund are effective as of 1 January 2019, which applies to the fund and the tax base comprise both actual and deemed profit distributions, including the following:

- Distributed profits;
- Expenses incurred or other payments not related to economic activities;
- Gratuitous supplies of goods/services and/or transfers of funds; and
- Representation expenses that exceed the maximum amount defined in the tax code.

Income tax on distributed profits is recognised as an expense at the moment dividends are declared and recorded under "income tax" in the statement of profit or loss. Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to tax authorities.

Tax imposed on the areas other than distributed profits as described above is recorded under "taxexpenses" in the statement of profit and loss.

Due to the changed concept of taxation the term taxable base of assets and liabilities loses its economic meaning and deferred tax liabilities and assets as defined in IAS 12-Income Tax, are not applicable under new corporate taxation model.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Income taxes (continued)***

According to changes in Georgian Tax Code from 1 January 2019 non-profit organisations are subject to the new corporate tax code.

The previous profit tax regime, under which companies were subject to tax on their annual taxable profits, is now changed to a system where tax will have to be paid only if the non-profit organisation has free of charge supplies, non-economical expenses and representative expenses not related to organization's activities.

***Property and equipment***

Property and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property and equipment items are capitalised and the replaced part is retired.

At each end of the reporting period management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss for the year within other income or costs.

***Depreciation***

Land is not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated based on the following annual rates:

	<b>Straight-line method</b>
Buildings	50 years
Machinery and equipment	5-20 years
Transport vehicles	7-9 years
Furniture and office equipment	5-20 years

The residual value of an asset is the estimated amount that the Fund would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

***Impairment of property and equipment***

At the end of each reporting period, the Fund reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Impairment of property and equipment (continued)***

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The carrying amounts of the Fund's property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of property and equipment is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If there has been a change in estimates that results in an increase of the recoverable amount, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had previously been recognised.

***Advances paid***

Advances paid are carried at cost less provision for impairment. Advances paid are classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the advances paid relate to an asset which will itself be classified as non-current upon initial recognition. Advances paid to acquire assets are transferred to the carrying amount of the asset once the Fund has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Fund. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

***Grants related to assets***

Grants related to assets are recognised as deferred income when they are received. Recognition in the statement of profit or loss is done on systematic basis over the periods in which the Fund recognises expenses for the related costs for which grants are intended to compensate.

***Provisions***

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contingent liabilities and assets***

Contingent liabilities are not recognised in the statement of financial position, but are disclosed in the notes to the financial statements, unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the statement of financial position but are disclosed in the financial statements when an inflow of economic benefits is probable.

***Financial instruments***

Financial assets and financial liabilities are recognised when a Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

All recognised financial assets are measured subsequently in their entirety at their amortised cost or fair value, depending on the classification of the financial assets.

***Classification of financial assets***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are 'solely' payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Fund may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Based on the past experience all financial assets are held in order to collect contractual cash flows and are classified into the first business model – Held to collect (H2C).

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Effective interest method (continued)***

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Fund recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

***Impairment of financial assets***

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments at amortised cost (loans disbursed, other receivables and deposits in banks). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the recovery of guarantee held or other credit enhancements that are integral to the contractual terms.

For collectively assessed trade receivables the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Fund investigates availability of external ratings through the open sources including international rating agencies websites: Moody's, Fitch and S&Ps. When the external rating is not available, the Fund obtains financial statements of the counterparty determines benchmark rating based on financial ratios using the Moody's financial ratios study.

The management has concluded that it would require cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. The Fund defined full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

The Fund considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Derecognition of financial assets***

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another Fund. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss.

***Cash and cash equivalents***

Cash and cash equivalents consist of cash on hand, balances on corresponded and term deposits with the commercial banks and state treasury with original maturity of less or equal to 90 days and amounts due from credit institutions with original maturity of less or equal to 90 days and are free from contractual encumbrances.

***Deposits in banks***

Deposits in banks consist of term deposits with commercial banks with an original maturity of more than 90 days.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

***Financial liabilities***

Financial liabilities are measured subsequently 'at FVTPL' or 'at amortised cost using the effective interest method'.

***Derecognition of financial liabilities***

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Loans and borrowings***

Loans and borrowings are initially recognised at their fair values less transaction costs incurred. Fair value is determined using the prevailing market rate of interest for a similar instrument. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective yield method, with any difference between the amount at initial recognition and redemption amount being recognised in profit or loss as an interest expense over the period of the borrowings. Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

***Trade and other payables***

Trade payables are accrued when the counterparty performed its obligations under the contract. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

***Reserves***

Reserves are restricted if the related funds are restricted by the donors for implementation of specific projects. In the statement of changes in reserves the restricted reserves are composed of the sources of financing. Unrestricted reserves represent retained earnings.

***Sources of financing***

Sources of financing represent the net cumulative financing received and the respective expenditures incurred for the implementation of the projects. Project financing is recognised as sources of funds in the period when the cash inflow can be reasonably estimated and they become available and measurable. Expenditure is recognised on an accruals basis as a use of project funds when liabilities are incurred.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Sources of financing (continued)***

Expenditures spent for implementing projects for municipalities and loan financing provided in return, are recorded as decrease/increase in sources of financing.

***Reclassifications***

Certain reclassifications have been made to the statement of cash flows and Statements of profit or loss and other comprehensive income for the year ended 31 December 2023 to conform to the presentation as at 31 December 2024. These reclassifications are:

Reclassifications made in the statement of cash flow:

- Cash flows from disbursement/repayment of loans to and receivables from municipalities and other loans are reclassified to investing activities from financing activities.
- Net cash flows from interest receipts and payments were presented in investing activities. This amount is separately presented: Interest received is presented in investing activities and interest paid is reclassified to financing activities.
- Cash flows from withdrawal/placement of deposits in banks are reclassified to investing activities from operating activities.

Reclassifications made in the statement of profit or loss and other comprehensive income:

- Other expenses/(income), net shown in the statement of profit or loss and other comprehensive income are presented separately as other income and other expense.

Management believes that the current year presentation provides a better view of the presentation of the statement of cash flow and the statement of profit or loss and other comprehensive income.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In the application of the Fund's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***Impairment of financial assets (loans disbursed, receivables and deposits in banks)***

The Fund creates an expected credit loss to account for estimated losses resulting from the inability of counterparties to make the required payments or suppliers to deliver agreed products or services. When evaluating the adequacy of an expected credit loss, management bases its estimate on current overall economic conditions, ageing of the receivables, prepayments balances and loans disbursed, historical write-off experience, customer and supplier creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer and supplier conditions may require adjustments to the expected credit loss recorded in the financial statements.

***Taxation***

Georgian tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Fund may be assessed additional taxes, penalties and interest. The Fund believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for 3 years.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

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**4. STANDARDS, INTERPRETATIONS AND AMENDMENTS**

**New standards and amendments issued but not yet effective for year ending 31 December 2024**

The following standards and amendments are not yet effective but may have a material impact on the financial statements of the Company in the future period.

**Amendments to IFRS 9 and IFRS 7 Amendments to the classification and measurement of financial instruments**

These amendments change the requirements as to when a financial liability can be derecognised when it is settled via electronic transfer as well as when cash flows can be considered simply payments of principal and interest and hence the ability to classify assets as at amortised cost.

Whilst the Company is still assessing the impacts, the current expectation is that the amendments relating to the timing of derecognition of the liabilities may impact Company's financial liabilities, however the amendment relating to the classification of financial assets is not expected to have an impact on the Company.

The amendments are applicable for the 2026 financial statements.

**IFRS 18 Presentation and disclosure of financial statements**

This standard will replace IAS 1 Presentation of financial statements. Whilst many of the requirements will remain consistent, the new standard will have impacts on the presentation of the Statement of Profit and Loss and consequential impacts on the statement of cash flows. It will also require the disclosure of non-IFRS management performance measures and may impact the level of aggregation and disaggregation throughout the primary financial statements and the notes.

IFRS 18 applies for periods beginning on or after 1 January 2027 and will be applied retrospectively. The Company is still currently assessing the impact that IFRS 18 will have on the Company.

There are no other new standards or amendments that are expected to have a material impact on the Company.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**5. FINANCE INCOME FROM DEPOSITS IN BANKS**

During the years ended 31 December 2024 and 2023 finance income from deposits in banks was as follows:

	<b>2024</b>	<b>2023</b>
Basis Bank	8,431,689	1,617,864
Tera Bank	8,389,593	6,707,370
Credo Bank	2,762,036	3,815,090
Liberty Bank	2,726,711	8,052,538
TBC Bank	811,503	3,604,457
<b>Total finance income from deposits in banks</b>	<b><u>23,121,532</u></b>	<b><u>23,797,319</u></b>

**6. ADMINISTRATIVE EXPENSES**

During the years ended 31 December 2024 and 2023 administrative expenses was as follows:

	<b>2024</b>	<b>2023</b>
Employee benefits	9,330,635	8,423,399
Tax expenses other than income tax	2,550,000	4,006,800
Provision for legal cases	1,228,904	-
Trips, transportation, advertising and representation expenses	1,330,478	1,079,407
Insurance expense	626,750	517,459
Depreciation and amortisation	584,238	497,371
Enforcement costs	438,167	-
Other	737,444	600,080
<b>Total administrative expenses</b>	<b><u>16,826,616</u></b>	<b><u>15,124,516</u></b>

**7. FOREIGN EXCHANGE (LOSS)/GAIN, NET**

During the years ended 31 December 2024 and 2023 foreign exchange (loss)/gain, net was as follows:

	<b>2024</b>	<b>2023</b>
Foreign exchange gain	(1,602,912)	(2,464,995)
Foreign exchange loss	715,243	949,413
<b>Total</b>	<b><u>(887,669)</u></b>	<b><u>(1,515,582)</u></b>

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**8. PROPERTY AND EQUIPMENT**

	Land	Buildings	Lease hold improvements	Motor vehicles	Equipment, machinery, furniture and other fixtures	Total
<b>Cost</b>						
As at 31 December 2022	<u>788,310</u>	<u>2,507,410</u>	<u>1,207,804</u>	<u>2,884,397</u>	<u>2,052,193</u>	<u>9,440,114</u>
Additions	-	-	-	1,645,738	55,670	1,701,408
Disposals	-	-	-	(501,759)	(70,495)	(572,254)
<b>As at 31 December 2023</b>	<b><u>788,310</u></b>	<b><u>2,507,410</u></b>	<b><u>1,207,804</u></b>	<b><u>4,028,376</u></b>	<b><u>2,037,368</u></b>	<b><u>10,569,268</u></b>
Additions	-	-	-	12,500	590,274	602,774
Disposals	-	-	-	(356,367)	(73,872)	(430,239)
<b>As at 31 December 2024</b>	<b><u>788,310</u></b>	<b><u>2,507,410</u></b>	<b><u>1,207,804</u></b>	<b><u>3,684,509</u></b>	<b><u>2,553,770</u></b>	<b><u>10,741,803</u></b>
Accumulated depreciation						
As at 31 December 2022	-	<u>1,714,716</u>	<u>1,185,930</u>	<u>2,158,486</u>	<u>1,541,985</u>	<u>6,601,117</u>
Charge for the year	-	46,589	225	305,515	108,365	460,694
Eliminated on disposal	-	-	-	(47,951)	(46,109)	(94,060)
<b>As at 31 December 2023</b>	<b>-</b>	<b><u>1,761,305</u></b>	<b><u>1,186,155</u></b>	<b><u>2,416,050</u></b>	<b><u>1,604,241</u></b>	<b><u>6,967,751</u></b>
Charge for the year	-	46,589	225	347,215	160,422	554,451
Eliminated on disposal	-	-	-	(294,755)	(62,554)	(357,309)
<b>As at 31 December 2024</b>	<b>-</b>	<b><u>1,807,894</u></b>	<b><u>1,186,380</u></b>	<b><u>2,468,510</u></b>	<b><u>1,702,109</u></b>	<b><u>7,164,893</u></b>

**Net book values:**

<b>Carrying amount as at 31 December 2023</b>	<b><u>788,310</u></b>	<b><u>746,105</u></b>	<b><u>21,649</u></b>	<b><u>1,612,326</u></b>	<b><u>433,127</u></b>	<b><u>3,601,517</u></b>
<b>Carrying amount as at 31 December 2024</b>	<b><u>788,310</u></b>	<b><u>699,516</u></b>	<b><u>21,424</u></b>	<b><u>1,215,999</u></b>	<b><u>851,661</u></b>	<b><u>3,576,910</u></b>

In the year 2007, MDF received from the Ministry of Economy of Georgia an administrative building and land, located at 150 Agmashenebeli Avenue, Tbilisi, Georgia, under the terms of usufruct". According to the agreement, MDF can use the building for the whole period of the Fund's existence. The transfer of the building is the scope of IAS 20.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**9. LOANS TO AND RECEIVABLES FROM MUNICIPALITIES**

At 31 December 2024 and 2023 loans to municipalities were as follows:

	<b>2024</b>	<b>2023</b>
Current portion	8,433,206	5,351,862
Long-term portion	<u>13,403,794</u>	<u>17,809,318</u>
	<b><u>21,837,000</u></b>	<b><u>23,161,180</u></b>
Provision for doubtful loans to municipalities	(670,014)	(486,859)
<b>Total loans to municipalities</b>	<b><u>21,166,986</u></b>	<b><u>22,674,321</u></b>

Current portion of loans to municipalities include the following:

	<b>2024</b>	<b>2023</b>
Principal receivable	7,555,496	5,040,881
Interest receivable	8,478	8,478
Penalties receivable	<u>869,232</u>	<u>302,503</u>
	<b><u>8,433,206</u></b>	<b><u>5,351,862</u></b>
Provision for doubtful loans to municipalities	(308,206)	(225,782)
<b>Total current portion of loans to municipalities</b>	<b><u>8,125,000</u></b>	<b><u>5,126,080</u></b>

As at 31 December 2024 and 2023, movement of expected credit loss for loans to municipalities was as follows:

	<b>2024</b>	<b>2023</b>
<b>Provision for doubtful loans to municipalities at the beginning of the period</b>	<b>486,859</b>	<b>508,362</b>
Additional provision recognised during the year	246,886	40,958
Recovery of doubtful loans to municipalities	(63,731)	(62,461)
<b>Provision for doubtful loans to municipalities at the end of the period</b>	<b>670,014</b>	<b>486,859</b>

Loans to municipalities represent loans disbursed by MDF to local self-governments within the scope of different projects financed by international financial institutions.

Loans are disbursed to municipalities for implementing the sub-projects for the rehabilitation and expansion of priority municipal services and infrastructure needs. Loans carry an interest rate of 11-12% and are disbursed for an average period of 10 years. Loans issued to municipalities are unsecured.

The breakdown of receivables from municipalities is as follows:

	<b>2024</b>	<b>2023</b>
Current portion	14,366,674	17,204,740
Long-term portion	<u>45,796,048</u>	<u>58,218,675</u>
	<b><u>60,162,722</u></b>	<b><u>75,423,415</u></b>
Provision for doubtful loans to municipalities	-	-
<b>Total receivables from municipalities</b>	<b><u>60,162,722</u></b>	<b><u>75,423,415</u></b>

Receivables from municipalities represent receivables for work performed by MDF within Solid Waste Management Project (SWMP) and Georgia Urban Transport Enhancement Programme (GUTEP), which are financed through long-term debt and the Fund is acting as an agent (Note 14). Receivables from municipalities carry an interest rate of refinancing rate +0.5% and mature in April 2026 (SWMP) and August 2029 (GUTEP). Receivables from municipalities are unsecured, but MDF carries no real credit risk for those balances as the Fund is not obliged to pay money to the government in case municipalities will not pay the money, therefore management did not assign any expected credit loss to these balances.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**9. LOANS TO AND RECEIVABLES FROM MUNICIPALITIES (CONTINUED)**

The breakdown of loans to and receivables from municipalities as of 31 December 2024 is follows:

Municipality	Current portion	Non-current portion	Total 2024
Kutaisi	3,998,103	13,447,882	17,445,985
Rustavi	3,174,462	12,728,470	15,902,932
Gardabani	2,565,607	7,697,416	10,263,023
Gori	2,129,836	7,894,323	10,024,159
Zugdidi	2,188,806	7,403,859	9,592,665
Telavi	635,716	2,183,041	2,818,757
Poti	575,432	2,168,047	2,743,479
Khashuri	535,495	2,005,081	2,540,576
Ambrolauri	2,155,922	56,022	2,211,944
Akmeta	190,714	1,195,400	1,386,114
Lentekhi	793,677	240,007	1,033,684
Kobuleti	154,221	293,601	447,822
Ninotsminda	97,920	341,575	439,495
Zestaponi	315,804	105,667	421,471
Mestia	180,723	41,888	222,611
Tetritskaro	169,929	28,900	198,829
Mtskheta	125,718	65,360	191,078
Akhalkalaki	119,818	62,293	182,111
Chokhatauri	127,158	50,185	177,343
Tsalenjikha	146,540	29,874	176,414
Ozurgeti	114,940	59,763	174,703
Signagi	119,980	29,912	149,892
Kaspi	114,801	29,874	144,675
Martvili	110,531	29,662	140,193
Akhalkalaki	80,498	41,849	122,347
Chiatura	76,784	39,923	116,707
Gurjaani	76,302	39,675	115,977
Kvareli	76,302	39,674	115,976
Lagodekhi	74,455	38,658	113,113
Sachkhere	74,376	38,662	113,038
Samtredia	70,118	36,460	106,578
Dusheti	59,872	31,122	90,994
Marneuli	62,674	32,579	95,253
Terjola	58,008	30,162	88,170
Lanchkhuti	58,008	30,162	88,170
Tkibuli	58,008	30,162	88,170
Bolnisi	57,466	29,874	87,340
Tsalka	55,633	28,900	84,533
Tskaltubo	55,600	28,900	84,500
Adigeni	55,600	28,900	84,500
Bagdati	55,670	28,939	84,609
Oni	55,601	28,901	84,502
Dmanisi	55,600	28,900	84,500
Vani	55,600	28,900	84,500
Borjomi	55,600	28,900	84,500
Tsageri	55,600	28,900	84,500
Dedoplistsdkaro	53,431	27,698	81,129
Sagarejo	53,270	27,698	80,968
Abasha	51,548	26,699	78,247
Khobi	51,342	26,700	78,042
Chkhorotsku	51,342	26,699	78,041
Senaki	51,342	26,699	78,041
Khoni	51,342	26,699	78,041
Kharagauli	50,922	26,475	77,397
Kareli	49,476	25,726	75,202
Tianeti	40,458	21,037	61,495
Kazbegi	31,906	16,582	48,488
Keda	26,790	13,926	40,716
Mr. Temur Bolkvadze	9,467	-	9,467
Levan Svanidze company	2,016	-	2,016
	<b>22,799,880</b>	<b>59,199,842</b>	<b>81,999,722</b>
Provision for doubtful issued loans to municipalities	(308,206)	(361,808)	(670,014)
<b>Total</b>	<b>22,491,674</b>	<b>58,838,034</b>	<b>81,329,708</b>

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**9. LOANS TO AND RECEIVABLES FROM MUNICIPALITIES (CONTINUED)**

The breakdown of loans to and receivables from municipalities as of 31 December 2023 is follows:

Municipality	Current portion	Non-current portion	Total 2023
Kutaisi	3,929,646	17,777,082	21,706,728
Rustavi	3,489,904	15,901,406	19,391,310
Gori	2,346,448	10,216,081	12,562,529
Zugdidi	2,111,713	9,737,738	11,849,451
Gardaban	1,043,711	8,124,042	9,167,753
Telavi	635,716	2,873,621	3,509,337
Poti	575,396	2,797,266	3,372,662
Khashuri	485,282	2,552,295	3,037,577
Ambrolauri	107,760	2,166,277	2,274,037
Zestaponi	291,886	423,771	715,657
Lentekhi	347,929	287,091	635,020
Kobuleti	141,349	449,999	591,348
Akmeta	178,850	394,031	572,881
Mestia	305,432	224,477	529,909
Ninotsminda	87,763	441,313	529,076
Signagi	290,827	151,159	441,986
Tetritskaro	235,457	200,117	435,574
Tsalenjikha	246,362	173,766	420,128
Kaspi	271,498	146,005	417,503
Martvili	206,189	141,514	347,703
Mtskheta	125,718	193,989	319,707
Akhalsikhe	119,818	184,885	304,703
Ozurgeti	114,940	177,365	292,305
Chokhatauri	82,908	127,926	210,834
Akhalkalaki	80,498	124,211	204,709
Chiatura	76,784	118,486	195,270
Gurjaani	76,302	117,743	194,045
Kvareli	76,302	117,742	194,044
Sachkhere	74,376	114,760	189,136
Lagodekhi	74,346	114,726	189,072
Samtredia	70,118	108,202	178,320
Marneuli	62,674	96,703	159,377
Dusheti	59,872	92,380	152,252
Terjola	58,008	89,514	147,522
Lanchkhuti	58,008	89,514	147,522
Tkibuli	58,008	89,514	147,522
Bolnisi	57,466	88,670	146,136
Bagdati	55,670	85,898	141,568
Oni	55,600	85,789	141,389
Borjomi	55,600	85,788	141,388
Tsalka	55,600	85,788	141,388
Tskaltubo	55,600	85,788	141,388
Adigeni	55,600	85,788	141,388
Dmanisi	55,600	85,788	141,388
Vani	55,600	85,788	141,388
Tsageri	55,600	85,788	141,388
Sagarejo	53,270	82,202	135,472
Dedoplistsdkaro	53,270	82,202	135,472
Khobi	51,342	79,231	130,573
Chkhorotsku	51,342	79,230	130,572
Abasha	51,342	79,230	130,572
Khoni	51,342	79,230	130,572
Senaki	51,342	79,230	130,572
Kharagauli	50,922	78,576	129,498
Kareli	49,476	76,348	125,824
Tianeti	40,458	62,432	102,890
Kazbegi	31,906	49,228	81,134
Keda	26,790	41,336	68,126
	<b>19,718,536</b>	<b>78,866,059</b>	<b>98,584,595</b>
Provision for doubtful issued loans to municipalities	(225,782)	(261,077)	(486,859)
<b>Total</b>	<b>19,492,754</b>	<b>78,604,982</b>	<b>98,097,736</b>

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**10. RECEIVABLES AND ADVANCES**

	<b>2024</b>	<b>2023</b>
<b>Financial assets</b>		
Receivables from municipalities	5,158,173	8,045,844
Receivables from terminated contracts	6,057,841	4,288,489
Other receivables	15,725,257	22,057,785
	<b>26,941,271</b>	<b>34,392,118</b>
<b>Non-financial assets</b>		
Advances to suppliers	400,321,396	437,514,246
	<b>427,262,667</b>	<b>471,906,364</b>
Provision for doubtful receivables and advances	(20,411,542)	(19,145,751)
<b>Total receivables and advances</b>	<b>406,851,125</b>	<b>452,760,613</b>

Advances to contractors are paid within the scope of projects signed between the Government of Georgia and Donor Organizations for which the implementing agency is MDF. Advances to contractors include payments to construction companies in the amount of GEL 398,751,336 for the year ended 2024 (GEL 435,850,640 for the year ended 2023) for the construction, rehabilitation of the infrastructure, acquisition of goods, supervision of construction works and for other services in different regions. Advances are redeemed step-by-step on every certificate of works done presented by contractor and residual amount is fully redeemed when the performance of works and services is 80-90% complete. Contractors are obliged to provide bank guarantees for full amount of advances and a performance guarantee for 10% of total contract amount.

Receivables from terminated contracts represent outstanding receivables from contractors who failed to deliver projects according to the pre-agreed terms. Receivables from municipalities represent the share of municipalities co-financing for the municipal projects implemented by MDF.

As at 31 December 2024 and 2023, movement of expected credit loss for receivable and advances was as follows:

	<b>2024</b>	<b>2023</b>
<b>Provision for doubtful receivables and advances at the beginning of the period</b>	<b>19,145,751</b>	<b>12,265,271</b>
Additional provision recognised during the year	4,132,147	8,325,381
Reversal of provision during the year	(2,866,356)	(1,444,901)
<b>Provision for doubtful receivable and advances at the end of the period</b>	<b>20,411,542</b>	<b>19,145,751</b>
<b>11. CASH AND CASH EQUIVALENTS</b>		
	<b>2024</b>	<b>2023</b>
Commercial bank accounts	31,000,000	64,000,000
State treasury accounts	37,953,151	52,670,672
	<b>68,953,151</b>	<b>116,670,672</b>
Provision for Cash and cash equivalents	(552,176)	(559,373)
<b>Total cash and cash equivalents</b>	<b>68,400,975</b>	<b>116,111,299</b>

As at 31 December 2024 and 2023, movement of expected credit loss for cash and cash equivalents was as follows:

	<b>2024</b>	<b>2023</b>
<b>Provision for doubtful cash and cash equivalents at the beginning of the period</b>	<b>559,373</b>	<b>192,093</b>
Additional provision recognised during the year	282,862	411,354
Reversal of provision during the year	(290,059)	(44,074)
<b>Provision for doubtful cash and cash equivalents at the end of the period</b>	<b>552,176</b>	<b>559,373</b>

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES ON FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**12. DEPOSITS IN BANK**

	<b>2024</b>	<b>2023</b>
Time deposits	163,790,845	119,806,914
Deposit certificates	12,000,000	12,000,000
	<b><u>175,790,845</u></b>	<b><u>131,806,914</u></b>
Expected credit loss	(2,585,215)	(1,938,392)
<b>Total</b>	<b><u>173,205,630</u></b>	<b><u>129,868,522</u></b>

As at 31 December 2024 and 2023 the balance of deposits in banks disclosed above includes GEL 79.44 and GEL 79.44 million for both reporting date, accordingly, which are held by MDF for the implementation of the project "Renewed Regions". These deposits are subject to restrictions from Government of Georgia and therefore are not available for general use by the Fund.

As at 31 December 2024 and 2023, movement of expected credit loss for deposits in bank was as follows:

	<b>2024</b>	<b>2023</b>
<b>Provision for doubtful deposit in banks at the beginning of the period</b>	<b>1,938,391</b>	<b>1,867,988</b>
Additional provision recognized during the year	1,475,074	78,148
Reversal of provision during the year	(828,250)	(7,744)
<b>Provision for doubtful deposit in banks at the end of the period</b>	<b>2,585,215</b>	<b>1,938,392</b>

**13. LONG-TERM DEBT**

	Currency	Interest rate	2024	2023
			2024	2023
<b>Unsecured long-term borrowings:</b>				
A loan from the Ministry of Finance (under EBRD projects)	GEL	Refinancing rate	60,209,077	75,363,824
<b>Total long-term debt</b>			<b><u>60,209,077</u></b>	<b><u>75,363,824</u></b>
			<b>2024</b>	<b>2023</b>
Current			16,357,067	17,145,140
Non-current			43,852,010	58,218,684
<b>Total long-term debt</b>			<b><u>60,209,077</u></b>	<b><u>75,363,824</u></b>

As described in note 9 above, during the years 2024 and 2023 the Government of Georgia (GoG) received (date of the first tranche being 30 September 2016) a long-term loan from the European Bank for Reconstruction and Development (EBRD) for the execution of Solid Waste Management Project (SWMP) and Georgia Urban Transport Enhancement Programme (GUTEP). The original currency of the loans from EBRD is in Euro and with an annual interest rate equal to the refinancing rate determined by the National Bank of Georgia. The maturity date of the loan for SWMP is determined to be April 20 and, as for GUTEP - August 2029. The loan is repayable in local currency using an exchange rate determined when the whole amount was disbursed.

Under the subsidiary loan agreement between GoG and MDF, the loan proceeds were received by MDF, which in its turn transferred the loan to the ultimate beneficiary municipalities. According to the agreement signed with GoG, the Fund can delay re-payment of borrowings, if the delay is caused from Municipalities failure to repay loans disbursed within above arrangement. The fund considers that it is an agent in these contracts, as far as, it does not take the credit risk from the counterparty, does not have the ability to direct the use of the funds or determine the terms of the sub-loaned amounts based on counterparty risk.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES ON FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**13. LONG-TERM DEBT (CONTINUED)**

Due to agent relationship interest expense has been netted off with related interest income in the statement of profit and loss, while the commission charge of 0.5% has been recognised as commission income.

	<b>01 Jan 24</b>	<b>Financing cash flows (i)</b>	<b>Other changes (ii)</b>	<b>31 Dec 2024</b>
Long-term borrowings	75,363,824	(14,273,090)	(881,657)	60,209,077
<b>Total</b>	<b>75,363,824</b>	<b>(14,273,090)</b>	<b>(881,657)</b>	<b>60,209,077</b>
	<b>01 Jan 23</b>	<b>Financing cash flows (i)</b>	<b>Other changes (ii)</b>	<b>31 Dec 2023</b>
Long-term borrowings	90,369,423	(15,698,969)	693,370	75,363,824
<b>Total</b>	<b>90,369,423</b>	<b>(15,698,969)</b>	<b>693,370</b>	<b>75,363,824</b>

- i. The cash flows make up the net amount of proceeds and repayments from borrowings in the statement of cash flows. From the total financing cash flows GEL 8,067,750 is attributable to a non-cash transaction, specifically to borrowed money that directly were received by contractors from the donors.
- ii. Other changes include interest accruals.

**14. PROVISIONS**

	<b>Provision for legal cases</b>
<b>At 1 January 2024</b>	<b>11,332,353</b>
Additional provision for the year	1,228,904
<b>At 31 December 2024</b>	<b>12,561,257</b>

Provision for legal cases represents management's best estimate of the Fund's liability under legal cases.

**15. TRADE AND OTHER PAYABLES**

	<b>2024</b>	<b>2023</b>
<b>Financial liabilities</b>		
Retentions payable to contractors	18,323,479	13,433,941
Payables to the Government	26,011,642	23,334,895
Other accounts payable	33,735,468	38,237,255
	<b>78,070,589</b>	<b>75,006,091</b>
<b>Non-financial liabilities</b>		
Advances received from municipalities	11,501,600	26,510,819
	<b>11,501,600</b>	<b>26,510,819</b>
<b>Total trade and other payables</b>	<b>89,572,190</b>	<b>101,516,910</b>

MDF retains 5-10% of the invoice amounts for the construction works in the framework of implemented project expenditures for possible future losses. The retained amount is presented under retentions payable to contractors. These amounts are subject to payment to contractors one year after the construction works are completed.

Payables to the Government includes overdraft balance of treasury account and guarantees received from counterparties refundable to the state Budget.

For trade payables the average credit period on purchases of certain goods and services is 1-2 months. No interest is charged on the trade payables. The Fund has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES ON FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**16. SOURCES OF FINANCING**

Source of financing as at 1 January	2024		2023	
	Funds received	Funds used	Funds received	Funds used
Government of Georgia	751,578,256	(706,394,777)	687,284,258	(434,814,308)
Asian Development Bank	39,789,681	(45,288,708)	59,108,603	(58,963,051)
Municipalities	-	(7,646,325)	-	(8,681,233)
European Bank for Reconstruction and Development	1,668,942	(961,571)	3,736,767	(5,101,310)
MDF		(21,940,487)	-	(32,992,260)
World Bank	75,780,942	(120,430,044)	100,338,374	(106,335,527)
European Investment Bank	-	-	(2,387,732)	(141,341)
Council of Europe Development Bank	-	(18,828,692)	15,377,462	(15,423,489)
Nordic Environment Finance Corporation	4,084,331	(344,400)	585,581	(304,229)
KfW	444,720	(440,863)	-	-
<b>Net financing of implemented projects during the year</b>	<b>873,346,872</b>	<b>(922,275,867)</b>	<b>864,043,313</b>	<b>(662,756,748)</b>
<b>Source of financing as at 31 December</b>	<b>460,766,002</b>		<b>509,694,997</b>	

Source of financing balance represents net amount of financing received and expenditures incurred under projects financed by various donor organizations. When funds received from certain donor organization exceeds spending for implementation of determined projects during accounting year, net amount of financing will be positive at the end of reporting period, and vice versa.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
NOTES ON FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Expressed in GEL)**

**16. SOURCES OF FINANCING (CONTINUED)**

The breakdown of funds used by nature for 2024 and 2023 are as follows:

	<b>Construction Works</b>	<b>Goods</b>	<b>Consultation Services</b>	<b>Operating Expenditures</b>	<b>Other</b>	<b>Total 2024</b>
Government of Georgia	652,546,385	4,619,543	16,685,318	297,774	32,245,759	706,394,779
Asian Development Bank	34,517,713	-	3,246,152	142,280	7,382,563	45,288,708
Municipalities	7,646,325	-	-	-	-	7,646,325
European Bank for Reconstruction and Development	-	-	961,571	-	-	961,571
MDF	-	-	3,000	12,639,306	9,298,180	21,940,486
World Bank	101,284,066	12,330,133	6,678,688	28,621	108,536	120,430,044
Council of Europe Development Bank	18,012,593	-	814,865	-	1,233	18,828,691
Nordic Environment Finance Corporation	-	-	344,400	-	-	344,400
KfW	-	-	440,730	-	-	440,863
<b>Total Funds used</b>	<b>814,007,082</b>	<b>16,949,676</b>	<b>29,174,724</b>	<b>13,107,981</b>	<b>49,036,404</b>	<b>922,275,867</b>
	<b>Construction Works</b>	<b>Goods</b>	<b>Consultation Services</b>	<b>Operating Expenditures</b>	<b>Other</b>	<b>Total 2023</b>
Government of Georgia	391,649,771	14,621,647	5,176,965	79,485	23,286,440	434,814,308
European Bank for Reconstruction and Development	-	3,677,628	1,379,628	-	44,054	5,101,310
World Bank	95,077,314	3,565,290	7,187,537	223,756	281,631	106,335,528
European Investment Bank	21,197	-	-	-	120,144	141,341
Asian Development Bank	51,786,138	-	3,142,896	-	3,889,027	58,963,051
MDF	9,856,794	-	4,501	10,143,136	12,987,829	32,992,260
Nordic Environment Finance Corporation	150,793	-	147,600	-	5,836	304,229
Council of Europe Development Bank	13,952,923	-	1,131,708	-	338,857	15,423,488
Municipalities	8,681,233	-	-	-	-	8,681,233
<b>Total Funds used</b>	<b>571,176,163</b>	<b>21,864,565</b>	<b>18,170,835</b>	<b>10,591,367</b>	<b>40,953,818</b>	<b>662,756,748</b>

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES ON FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**17. RELATED PARTIES TRANSACTION AND OUTSTANDING BALANCES**

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be affected on the same terms and conditions as transactions between unrelated parties.

The Fund is owned by the State of Georgia. It has transactions with entities owned by the state of Georgia, referred as government related entities below. These transactions are conducted in the ordinary course of the fund's business on terms comparable to those with other entities that are non-government related entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Fund had the following balances and transactions with related parties:

	<b>2024</b>		<b>2023</b>	
	Related party (balances)	Total category as per the financial statements (caption)	Related party (balances)	Total category as per the financial statements (caption)
Loans to municipalities	21,166,986	21,166,986	22,674,321	22,674,321
Receivables from municipalities	75,423,415	75,423,415	75,423,415	75,423,415
Receivables and advances	8,740,772	407,589,623	9,709,450	452,760,613
Cash and cash equivalents	37,953,151	68,400,975	52,670,672	116,111,299
Long-term debt	60,209,077	60,209,077	75,363,824	75,363,824
Trade and other payables	37,513,242	89,572,190	49,845,715	96,696,003

The remuneration of directors and other members of key management, it total four staff members were as follows:

	<b>2024</b>		<b>2023</b>	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Key management personnel compensation	456,561	9,330,635	445,460	8,423,399

Included in the statement of profit or loss for the years ended 31 December 2024 and 31 December 2023 are the following amounts which were recognised in transactions with related parties:

	<b>2024</b>		<b>2023</b>	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Funds received (note 16)	-	873,346,872	-	864,043,313
Funds used (note 16)	29,586,812	922,275,867	41,673,493	662,756,747
Finance income from loans to municipalities	2,373,833	2,373,833	2,354,159	2,354,159

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES ON FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

**18. FINANCIAL RISK MANAGEMENT**

The Fund's principal financial instruments comprise loans to municipalities and other loans, bank balances, cash and cash equivalents, accounts and other payables and long-term debt. The main purpose of these financial instruments is to ensure financing for the fund's operations.

***Financial risks***

The main financial risks arising from the Fund's financial instruments are foreign currency risk, interest rate risk, liquidity risk, and credit risk.

***Foreign currency risk***

The currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Fund undertakes certain transactions denominated in foreign currencies, including the receipt of financing from International financial institutions for the implementation of projects. The financing is, in most cases, received in USD and EUR. The funds received are converted in GEL on periodic basis and the fluctuation in exchange rates between the date of funds received and converted results in foreign exchange gain/losses. The Fund does not use any derivatives to manage foreign currency risk exposure.

The Fund's exposure to foreign currency exchange rate risk is presented in the tables below:

	2024			
	GEL	USD	EUR	
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	2,829,716	8,552,129	57,019,130	<b>68,400,975</b>
Deposits in banks	173,205,630	-	-	<b>173,205,630</b>
Receivables and advances	26,941,271	-	-	<b>26,941,271</b>
Loans to municipalities	21,166,986	-	-	<b>21,166,986</b>
Receivables from municipalities	60,162,722	-	-	<b>60,162,722</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>284,306,325</b>	<b>8,552,129</b>	<b>57,019,130</b>	<b>349,877,584</b>
<b>FINANCIAL LIABILITIES</b>				
Trade and other payables	88,896,650	178,899	496,641	<b>89,572,190</b>
Long-term debt	60,209,077	-	-	<b>60,209,077</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>149,105,727</b>	<b>178,899</b>	<b>496,641</b>	<b>149,781,267</b>
<b>OPEN POSITION</b>	<b>135,200,598</b>	<b>8,373,230</b>	<b>56,522,489</b>	
	2023			
	GEL	USD	EUR	Total
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	68,460,243	9,510,982	38,140,074	<b>116,111,299</b>
Deposits in banks	129,868,522	-	-	<b>129,868,522</b>
Receivables and advances	25,788,629	6,028,577	2,574,912	<b>34,392,118</b>
Loans to municipalities	22,674,321	-	-	<b>22,674,321</b>
Receivables from municipalities	75,423,415	-	-	<b>75,423,415</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>322,215,130</b>	<b>15,539,559</b>	<b>40,714,986</b>	<b>378,469,675</b>
<b>FINANCIAL LIABILITIES</b>				
Trade and other payables	73,651,462	615,702	738,927	<b>75,006,091</b>
Long-term debt	75,363,824	-	-	<b>75,363,824</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>149,015,286</b>	<b>615,702</b>	<b>738,927</b>	<b>150,369,915</b>
<b>OPEN POSITION</b>	<b>173,199,844</b>	<b>14,923,857</b>	<b>39,976,059</b>	

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES ON FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

The table below details the Fund's sensitivity to strengthening/weakening of functional currency against foreign currencies by 20% as at 31 December 2024 and 31 December 2023. The analysis was applied to monetary items at the balance sheet date denominated in USD and EUR.

	<b>2024</b>			
	<b>USD/GEL (+20%)</b>	<b>USD/GEL (-20%)</b>	<b>EUR/GEL (+20%)</b>	<b>EUR/GEL (-20%)</b>
<b>Profit/(loss) before tax</b>	1,674,646	(1,674,646)	11,304,498	(11,304,498)
<b>2023</b>				
	<b>USD/GEL (+20%)</b>	<b>USD/GEL (-20%)</b>	<b>EUR/GEL (+20%)</b>	<b>EUR/GEL (-20%)</b>
<b>Profit/(loss) before tax</b>	2,984,771	(2,984,771)	7,995,212	(7,995,212)

***Interest rate risk***

Interest-bearing financial assets and liabilities of the Fund have fixed interest rate. In the borrowing and loans disbursed transaction, which are disbursed at refinancing rate the Fund is acting as an agent. Therefore, Fund is not exposed to any interest rate risk.

***Liquidity risk***

Liquidity risk refers to the availability of sufficient funds to enable repayment of financial commitments as they actually fall due.

The table below presents the cash flows payable by the Fund and to the Fund under non - derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flow.

MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
NOTES ON FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Expressed in GEL)

## 18. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Carrying value	Up to 1 month	Up to 1 year	1-5 years	Over 5 years	Total
<b>Financial Liabilities</b>						
Long-term debt	60,209,077	-	10,158,505	79,894,438	35,933,160	125,986,103
Trade and other payables	78,070,590	3,967,786	63,001,195	8,379,890	2,721,719	78,070,590
<b>Total financial liabilities</b>	<b>138,279,667</b>	<b>3,967,786</b>	<b>73,159,700</b>	<b>88,274,328</b>	<b>38,654,879</b>	<b>204,056,693</b>
 <b>2024</b>						
	Carrying value	Up to 1 month	Up to 1 year	1-5 years	Over 5 years	Total
Long-term debt	60,209,077	-	10,158,505	79,894,438	35,933,160	125,986,103
Trade and other payables	78,070,590	3,967,786	63,001,195	8,379,890	2,721,719	78,070,590
<b>Total financial liabilities</b>	<b>138,279,667</b>	<b>3,967,786</b>	<b>73,159,700</b>	<b>88,274,328</b>	<b>38,654,879</b>	<b>204,056,693</b>
 <b>2023</b>						
	Carrying value	Up to 1 month	Up to 1 year	1-5 years	Over 5 years	Total
Long-term debt	75,363,824	-	10,158,505	79,894,438	35,933,159	125,986,103
Trade and other payables	75,006,091	3,812,038	60,528,215	8,050,955	2,614,884	75,006,092
<b>Total financial liabilities</b>	<b>150,369,915</b>	<b>3,812,038</b>	<b>70,686,720</b>	<b>87,945,393</b>	<b>38,548,043</b>	<b>200,992,195</b>

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA**  
**NOTES ON FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in GEL)**

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

***Credit risk***

Credit risk is the risk that a customer may default or not meet its obligations to the Fund on a timely basis, leading to financial losses to the Fund. The Fund is exposed to credit risk from its operating activities (primarily loans to municipalities, deposits with banks and advances and receivables) and from its financing activities, including accounts with banks and related parties and other financial instruments.

The credit risk on cash and cash equivalents is limited because the counterparty is either state treasury or banks with positive credit ratings.

For collectively assessed exposures the Fund measures the loss allowance for its financial assets at an amount equal to the lifetime ECL. The expected credit losses on financial assets are estimated by reference to past default experience of the counterparty, an analysis of the counterparty's maturity days and bank guarantees against the outstanding balance. The expected credit loss on financial assets assessed collectively are estimated by multiplying the probability of default by loss given default and by exposure at default. For approach of PD estimations, the Fund uses the research produced by the rating agencies.

***Fair value***

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

- (i) level one is 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 categorizing 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. None of the Entity's financial assets and liabilities measured at fair value. Based on the Managements assessment using level 3 inputs, the fair value of the financial assets and liabilities approximates to their carrying values.

***Financial assets carried at amortised cost***

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

***Financial liabilities carried at amortised cost***

The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Management of the Fund considers that the carrying amounts of financial liabilities recorded in the financial statements approximate to their fair values.

**19. COMMITMENTS AND CONTINGENCIES**

***Commitments***

The Fund receives financing from donors for the completion of different projects. The fund is committed to use the proceeds received for the purposes defined in loan, credit or grant agreements. Total amount of the commitment for the year ended 2024 amounts to the balance of Source of Financing in the Fund's financial statements.

***Legal proceedings***

From time to time and in the normal course of business, claims against the Fund may be received. At a different point of time due to inappropriate application of the service agreement terms, the Fund has penalised several counterparties and recovered the damages and penalties charged to them, through the bank guarantees presented by service providers as a pledge for proper completion of the work. As a result, the Fund has been sued by several contractors to reimburse the recovered amount of damage and penalty charges.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
NOTES ON FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Expressed in GEL)**

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**19. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Taxes***

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 3 subsequent calendar years, however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and if the authorities were successful in enforcing their own interpretations, the effect on these financial statements could be significant.

***Operating environment***

The Fund's principal business activities are within Georgia. Georgia displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by Entities operating in Georgia.

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. The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Georgian financial and corporate sectors.

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

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 Fund. Management believes it is taking all the necessary measures to support the sustainability and development of the Fund's operations.

**20. EVENTS AFTER THE REPORTING PERIOD**

In 2025 the Fund start implementation of the new initiative related to Sport Infrastructure funded by Government of Georgia, the budget allocated for this program for 2025 is GEL 200 mln. The initiative envisaged construction of the several big stadiums, among them is a new national football stadium for 70,000 Seats in Tbilisi.

**21. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2025.